

*COMMISSION ON SMALL FAMILY FARM  
PRESERVATION*



*REPORT TO THE  
1999 GENERAL ASSEMBLY  
OF NORTH CAROLINA*

*2000 REGULAR SESSION*

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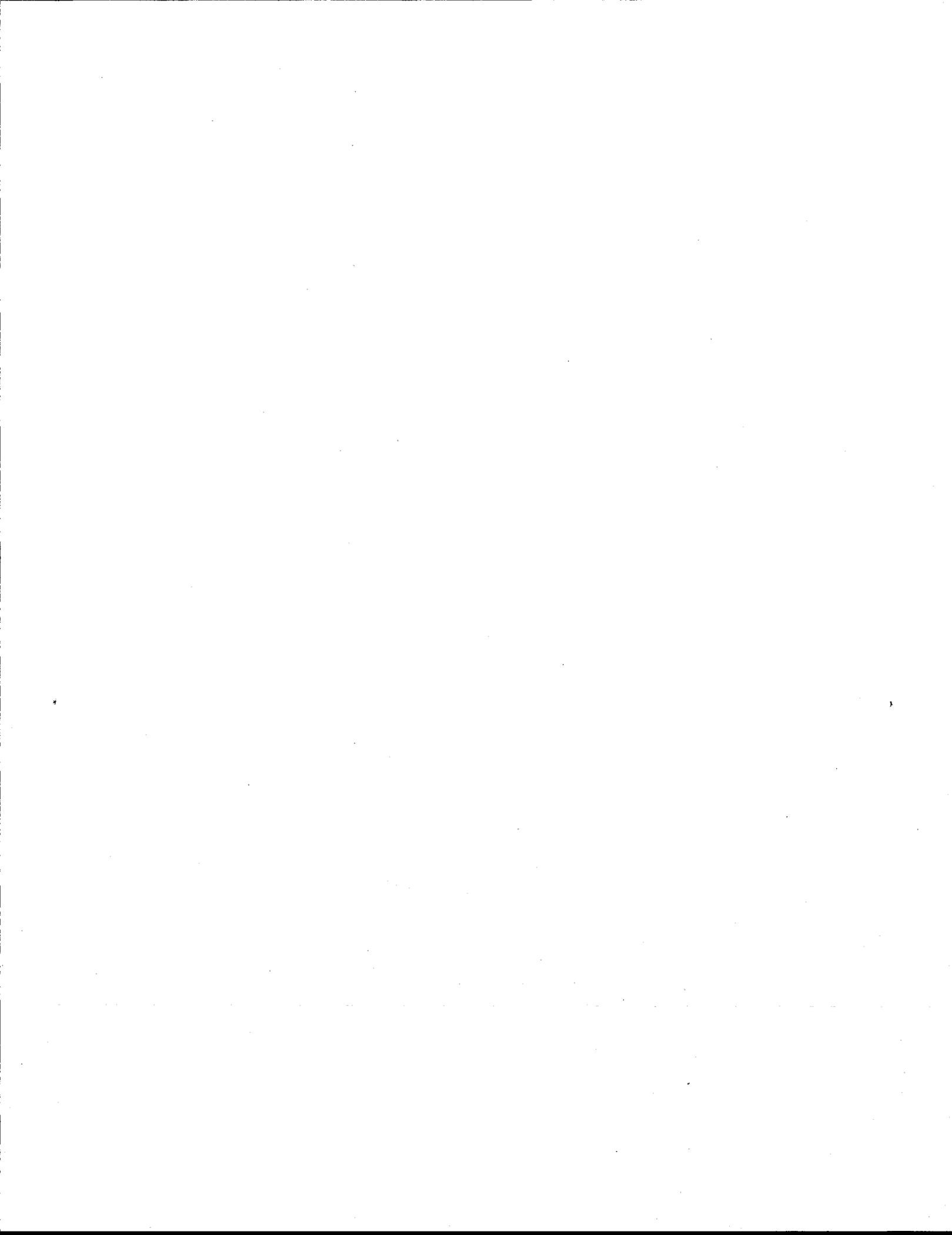
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NORTH CAROLINA GENERAL ASSEMBLY  
STATE LEGISLATIVE BUILDING  
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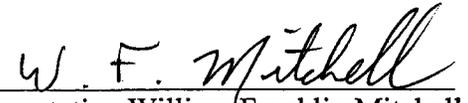
May 18, 2000

TO THE MEMBERS OF THE 2000 SESSION OF THE 1999 GENERAL ASSEMBLY

Pursuant Section 5 of Session Law 1998-223, the Commission on Small Family Farm Preservation submits its report and recommendations to the 2000 Session of the 1999 General Assembly.

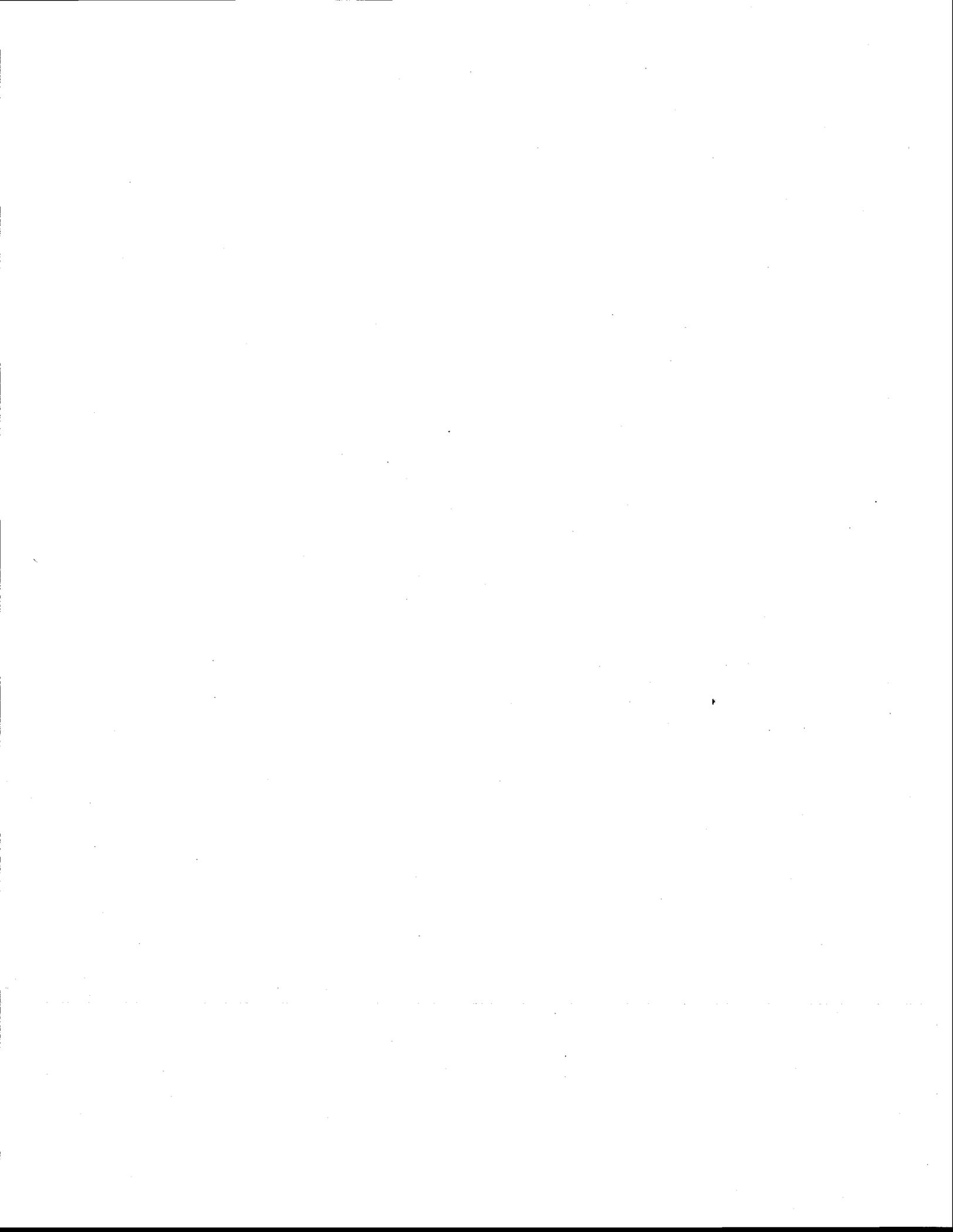
Respectfully submitted,

  
Senator Charles Woodrow Albertson

  
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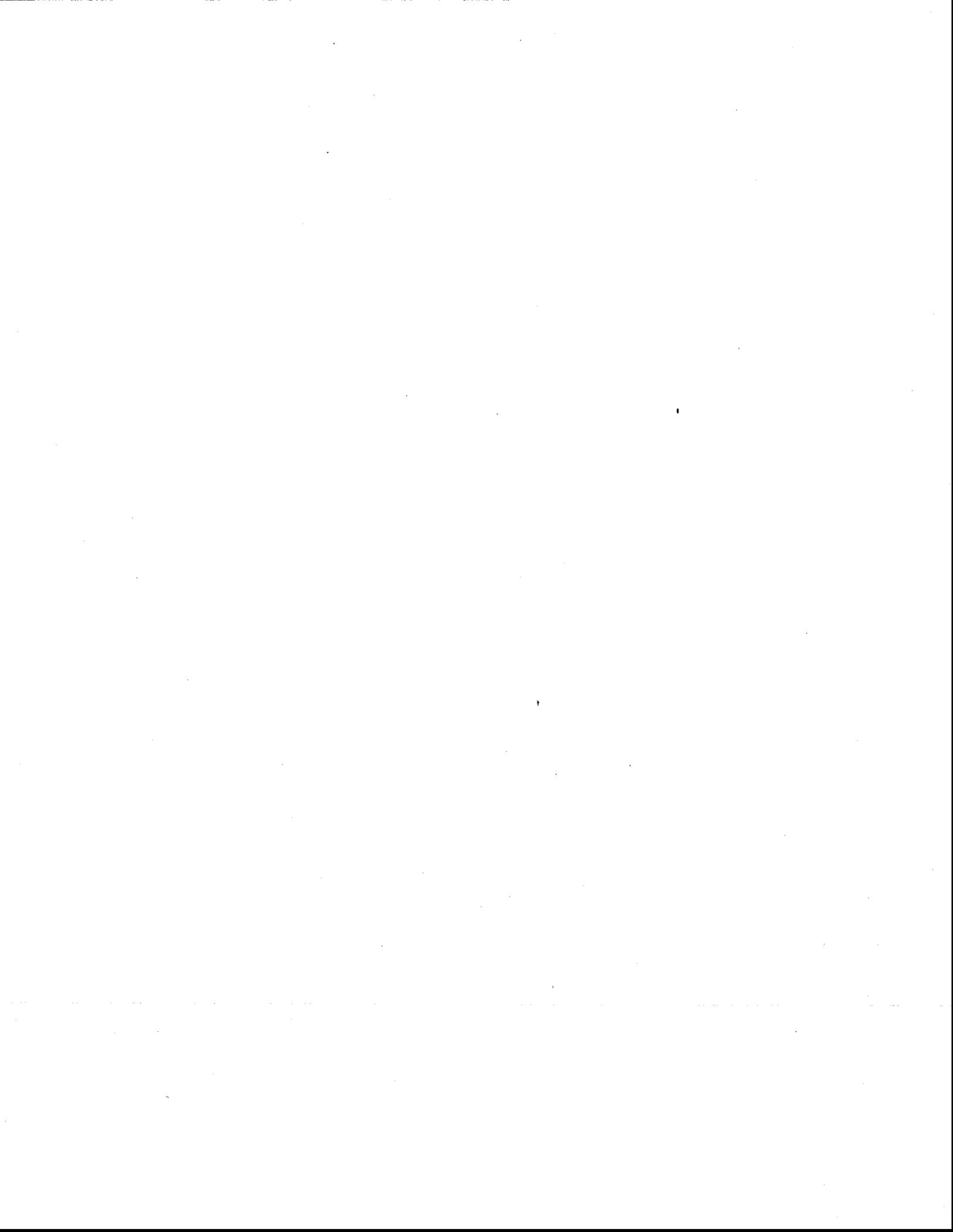
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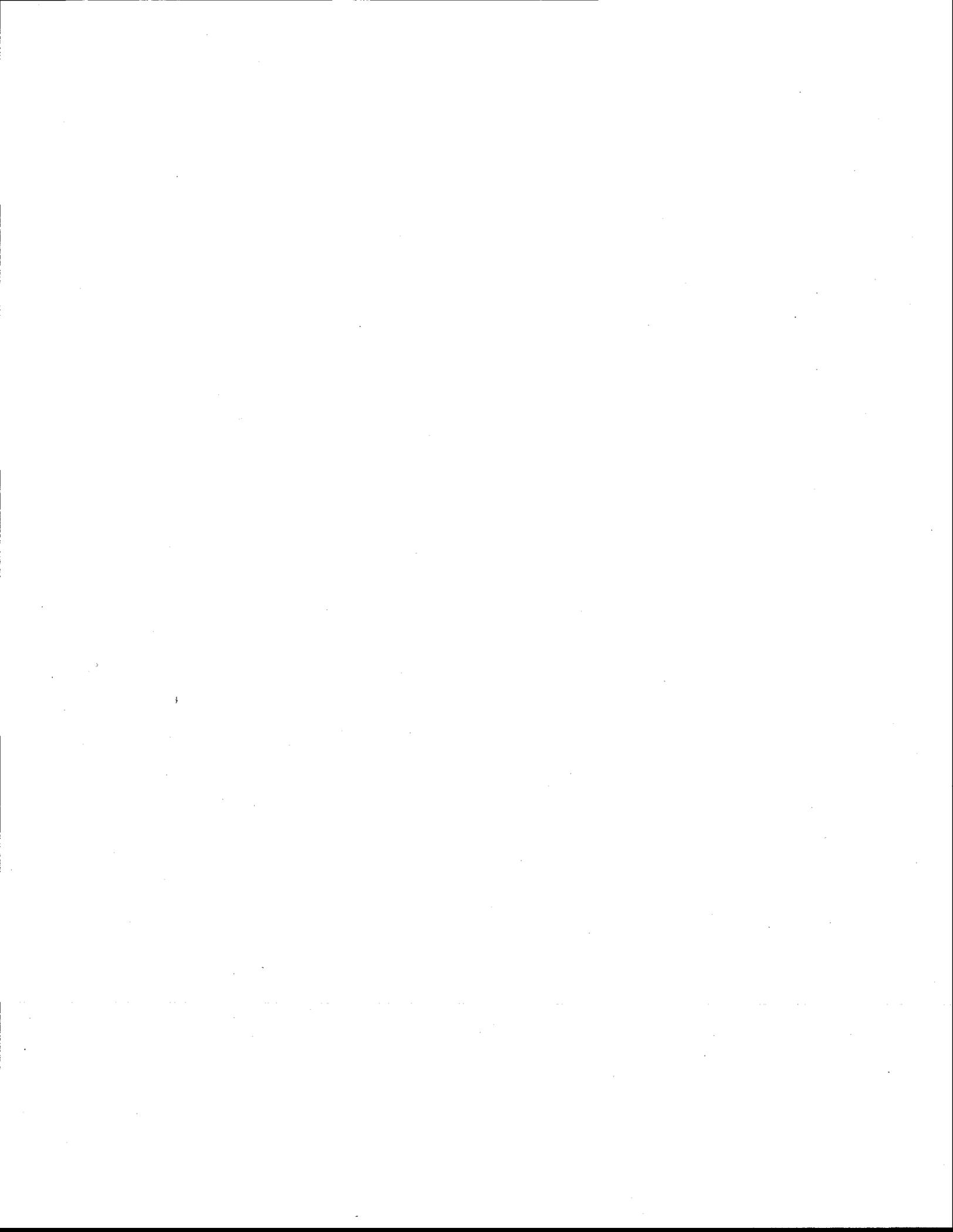
SESSION LAW 1998-223, Sections 3-8

**Section 3. The Commission on Small Family Farm Preservation is created in the General Assembly.** The Commission shall study:

- (1) Land-use and population trends in North Carolina.
- (2) The causes of the declining number of small family farms in the State.
- (3) The influence of federal and State taxes in the conversion of small family farms to nonagricultural uses.
- (4) Voluntary incentives and voluntary options to preserve small family farms as well as enhance their economic viability and their use of environmentally sustainable agriculture.
- (5) The feasibility and desirability of using various farmland preservation mechanisms, including: purchase or lease of development rights, land- use tax credits, estate and gift tax exemptions, comprehensive land- use plans, redevelopment of urban areas and density development to eliminate duplication of infrastructure, cluster zoning, agricultural protection zoning, limits on annexation, and limits on extending utilities to designated agricultural areas; and the adequacy of Article 61 of Chapter 106 of the General Statutes in preserving farmland in this State.
- (6) Ways to improve the business climate for small family farming.
- (7) Ways to promote the small family farmers' role in the environment and in protecting our State's natural resources.
- (8) Ways to promote the small family farmer as a true asset to the State.
- (9) The final reports of other study commissions, task forces, or strategic plans in other states as well as the final report of the National Commission on Small Farms by the United States Department of Agriculture and other resources on the subject of small farm preservation.
- (10) Ways in which the Department of Agriculture and Consumer Services, the Department of Environment and Natural Resources, and the Department of Commerce can cooperate to preserve small family farms that are environmentally sustainable and economically viable.

**Section 4.**

- (a) The Commission on Small Family Farm Preservation shall consist of 19 members:
  - (1) One member of the Senate appointed by the President Pro Tempore of the Senate.
  - (2) One member of the Senate appointed by the President Pro Tempore of the Senate.
  - (3) One member of the Senate appointed by the President Pro Tempore of the Senate.
  - (4) One member of the House of Representatives appointed by the Speaker of the House of Representatives.
  - (5) One member of the House of Representatives appointed by the Speaker of the House of Representatives.
  - (6) One member of the House of Representatives appointed by the Speaker of the House of Representatives.
  - (7) One farmer appointed by the Governor who currently operates well-managed small family farms in North Carolina.
  - (8) One farmer appointed by the Governor who currently operates well-managed small family farms in North Carolina.
  - (9) The Master of the North Carolina State Grange or the Master's designee.
  - (10) The President of the North Carolina Farm Bureau Federation or the President's designee.
  - (11) The Commissioner of Agriculture and Consumer Services or the Commissioner's designee.
  - (12) The Secretary of Environment and Natural Resources or the Secretary's designee.



- (13) The Secretary of Commerce or the Secretary's designee.
- (14) The Dean of the School of Agriculture and Life Sciences at North Carolina State University or the Dean's designee.
- (15) The Dean of the School of Agriculture at North Carolina Agricultural and Technical State University or the Dean's designee.
- (16) The Dean of the School of Design at North Carolina State University or the Dean's designee.
- (17) The Dean of the School of Regional Planning at the University of North Carolina at Chapel Hill or the Dean's designee.
- (18) The Director of the North Carolina Environmental Defense Fund or the Director's designee.
- (19) The Director of the Southern Environmental Law Center or the Director's designee.

(b) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a member of the General Assembly who is a member of the Commission as cochair of the Commission. A majority of the Commission shall constitute a quorum for the transaction of business.

**Section 5.** The Commission may file an interim report to the 1999 Regular Session of the 1999 General Assembly and shall file a final report prior to the convening of the 2000 Regular Session of the 1999 General Assembly. The Commission shall submit interim and final reports by filing the reports with the President Pro Tempore of the Senate and the Speaker of the House of Representatives. The final report shall contain the findings, recommendations, and legislative proposals, if any, of the Commission.

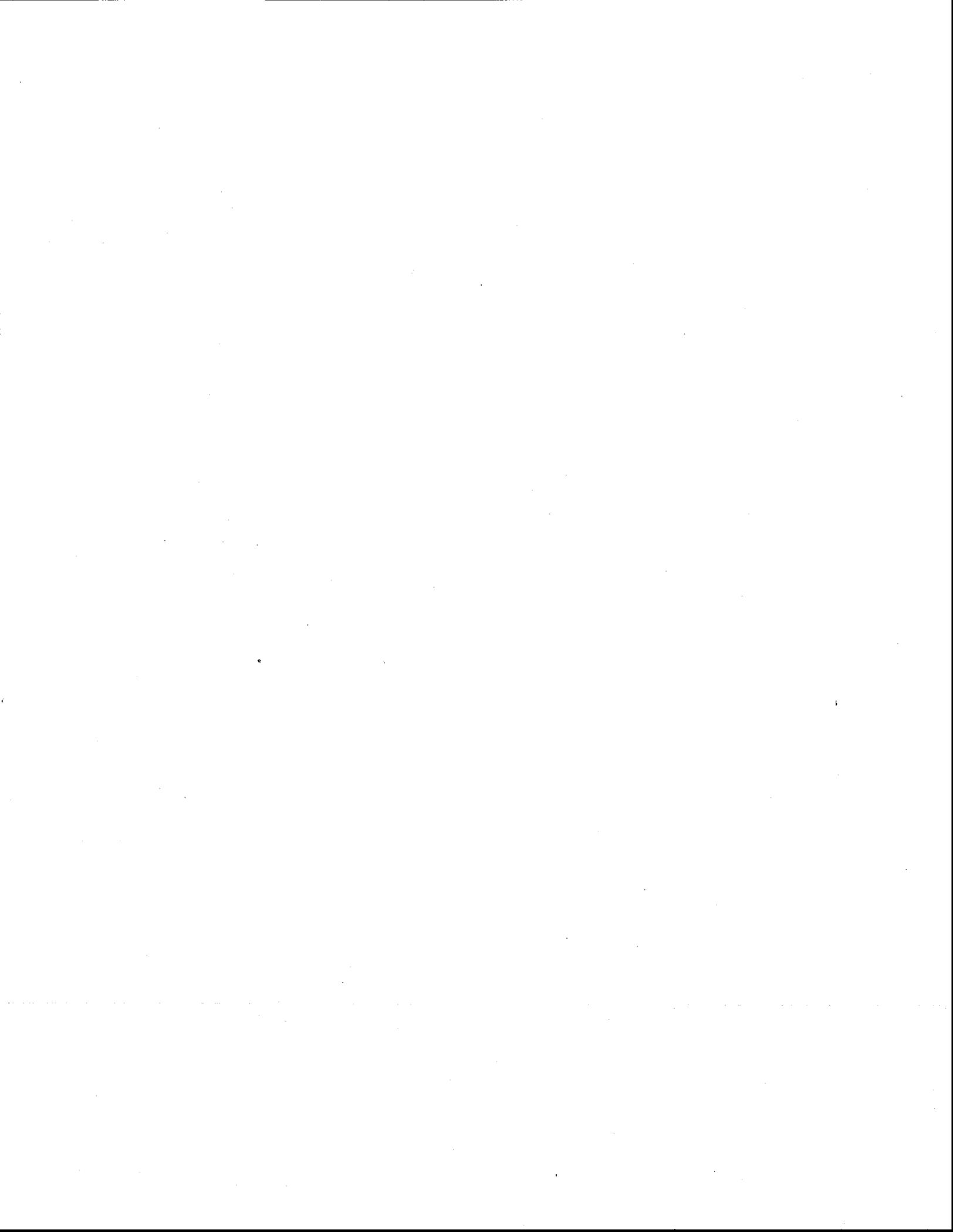
**Section 6.** Members appointed to the Commission shall serve until the Commission makes its final report. Vacancies on the Commission shall be filled by the same appointing officer who made the original appointments. The Commission shall terminate upon the filing of its final report.

**Section 7.** The Commission may contract for consultant services as provided by G.S. 120-32.02. The Commission may obtain assistance from the State's universities. Upon approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional and clerical staff to assist in the work of the Commission. Clerical staff shall be furnished to the Commission through the offices of the House of Representatives' and Senate's Supervisors of Clerks. The Commission may meet in the Legislative Building or the Legislative Office Building upon the approval of the Legislative Services Commission. The Commission, while in the discharge of official duties, may exercise all the powers authorized by G.S. 120-19 through G.S. 120-19.4.

**Section 8.** Members of the Commission shall receive per diem, subsistence, and travel allowances as follows:

- (1) Commission members who are also General Assembly members, at the rate established in G.S. 120-3.1.
- (2) Commission members who are officials or employees of the State or local government agencies, at the rate established in G.S. 138-6.
- (3) All other Commission members, at the rate established in G.S. 138-5.

*Effective Date: November 5, 1998.*



## COMMISSION PROCEEDINGS

The Commission on Small Family Farm Preservation met six times in the interim between the 1999 Regular Session of the 1999 General Assembly and the 2000 Regular Session of the 1999 General Assembly. Due to the long duration of the 1998 Regular Session of the 1997 General Assembly, the Commission did not meet in the interim prior to the 1999 Regular Session. The proceedings of each meeting are summarized below. Complete sets of minutes for each meeting, including all materials distributed, are available in the Legislative Library.

### January 10, 2000

The meeting opened with introductions by Commission members, presentations by staff of the authorizing legislation for the Commission and the Commission budget, and a review by Senator Albertson of his participation in the National Commission on Small Farms. A video highlighting the National Commission's conclusions was also shown. The Commission then heard reports on the status of small family farms in North Carolina from representatives of the North Carolina State Grange, the North Carolina Farm Bureau Federation, North Carolina State University,<sup>1</sup> North Carolina A&T State University, and county extension agencies, as well as a farmer from Hertford County. Active discussions accompanied the presentations. The following problems, opportunities, and potential State interventions were identified by presenters and Commission members.

#### Problems

##### 1. Profitability

- prices for inputs increasing, while prices received decreasing
- limited access to markets exacerbated by concentration in industry
- limited access to capital
- insufficient training in management/ business skills
- falling tobacco quotas/ no replacement crop with same returns
- unbalanced contracts
- cost of compliance with environmental regulations

##### 2. Barriers to entry for young people/ new farmers

- limited access to capital
- increasing land prices in areas with development pressures
- high cost of equipment

##### 3. Pressures to sell

- bad estate planning leading to partitioning of property
- lack of economic viability
- encroaching development

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<sup>1</sup> Dr. Geoff Benson, Associate Professor and Extension Economist at North Carolina State University, presented the report *Small Farms in North Carolina Agriculture*. This report is included in Appendix B.

## **Opportunities**

### **1. Specialty products and Organics**

- benefit: higher prices than traditional commodities
- risks:
  - ⇒ too many people entering a specialty market can drive down prices
  - ⇒ specialty markets can go mainstream and larger scale, like traditional commodities

### **2. Alternative/ sustainable agricultural methods**

- opportunities for higher returns from products
- potential for lower input costs
- potential for environmental benefits

### **3. Adding value on the farm**

### **4. Direct marketing to supermarkets/ restaurants/ consumers**

### **5. Cooperative arrangements among farmers**

- sharing resources
- cooperative marketing
- sharing experiences

### **6. Contract farming**

- can shield farmers from price downturns
- can provide a secure market outlet

## **Potential State Interventions**

### **1. Enhance existing tax provisions beneficial to farmers**

- tax credits for open space
- use-value taxation

### **2. Increase research into agricultural production systems in which smaller farms potentially have the advantage over larger farms.**

- specialty crops
- alternative production strategies
- alternative marketing strategies

### **3. Increase outreach to small farmers**

- production techniques/ support for switching crops
- marketing/ business skills

### **4. Beginning farmer programs**

### **5. Enhancing opportunities for cooperatives**

### **6. Address the terms of contracts between growers and integrators to provide more security for growers**

### **7. Address agricultural finance issues**

### **8. Land-use planning/ urban growth boundaries**

- may reduce development pressures
- will fail without attention to the economic viability of farms

**February 22, 2000**

The Commission heard and discussed several recommendations for how to support family farmers and rural communities and then heard reports related to the declining number of small slaughtering facilities in the State.

*Recommendations for Supporting Small Farms and Rural Communities*

Larry Wooten, Chair of the Rural Prosperity Task Force Focus Group on Agriculture, presented the recommendations of the task force for how to help the State's farmers.<sup>2</sup> These included measures to develop new markets for the State's agricultural products; increase the production of higher value crops and the establishment of value-added processing facilities; stimulate alternative agricultural enterprises; and prioritize spending on agriculture through the establishment of an Agricultural Advancement Consortium made of agricultural experts and farm representatives.

Billy Ray Hall, Executive Director of the North Carolina Rural Economic Development Center, discussed the problems caused for farmers by low commodity prices and a shrinking tobacco market. He echoed the recommendations of the Rural Prosperity Task Force to form an Agricultural Advancement Consortium and encourage value-added production, and also noted the need for farmers to have better financing opportunities and for farm communities to work together to understand and confront the problems faced by farmers.

Two representative of the Rural Advancement Foundation International (RAFI) addressed the Commission. Gerry Cohn, Field Coordinator for RAFI's Tobacco Communities Project, presented the results of a survey of tobacco growers. The survey identified barriers farmers face to developing new sources of income on their farms and showed a strong interest on the part of farmers to find ways to remain in agriculture. Betty Bailey, RAFI's Executive Director, described the work RAFI has done to support value-added agricultural enterprises and alternative production strategies. Ms. Bailey recommended several ways the State could provide additional support for value-added enterprises run by small farmers.<sup>3</sup> She also said that farmers should be involved as peers in research to develop new farming practices and crops to enhance farm profitability. Ms. Bailey said the purpose of these measures was to provide farmers and rural communities with ways to keep a greater share of the dollars consumers spend on food.

*Small Slaughterhouse Facilities*

David T. Marshall, Director of the Meat and Poultry Inspection Service of the Veterinary Division in the North Carolina Department of Agriculture and Consumer Services, reported on the decline in small slaughterhouse facilities in the State. He said there was a need for more such facilities, especially to serve the growing meat goat industry. Tommy Stevens, Director of the Division of Water Quality in the North Carolina Department of Environment and Natural Resources, described the process for getting a water quality permit for a slaughterhouse facility.

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<sup>2</sup> The Task Force's *Recommendations Summary* for Agriculture is included in Appendix B.

<sup>3</sup> RAFI's recommendations are included in Appendix B.

### March 15, 2000

The Commission heard presentations on farmland preservation and enhancing farm profits and then discussed various proposals offered to the Commission.

#### *Land-use Trends and Farmland Preservation in North Carolina*

John Dorman from the Office of State Planning presented several maps that demonstrated that farmland is being converted to non-farm uses at a rapid rate, particularly in the State's major urban areas and along major interstate highway corridors.

Theodore A. Feitshans, from the Department of Agricultural and Resource Economics, described several tools available for preserving farmland in North Carolina. These include the State's Right to Farm Law, use-value taxation, voluntary agricultural districts, and the purchase of development rights.

Charles E. Roe, Executive Director of the Conservation Trust of North Carolina, explained that his organization administers the Farmland Preservation Trust Fund, which was established in 1986, but not funded until 1998. The Conservation Trust disburses Trust Fund moneys to counties and land-trusts for the purposes of purchasing conservation easements from farmers and covering administrative costs when easements are donated.<sup>4</sup> Mr. Roe explained that this benefits the public by preserving farmland and benefits farmers by providing a source of capital and reducing property and estate taxes. He also noted that farms with easements are more affordable for new farmers.

#### *Enhancing Farm Profitability*

Robert Nutter, owner of the Maple View Farm, explained to the Commission how he has made his farm a successful enterprise through building his own bottling plant and selling milk in glass bottles at local markets. Many of the Commission members said they purchased Maple View Farm milk.

Tony Kleese, Executive Director of the Carolina Farm Stewardship Association, presented a study of the organic food industry. This study demonstrated that farmers get much higher returns for organic produce than for non-organic produce, and that the vast bulk of the organic food consumed in North Carolina is produced outside the State. Mr. Kleese said that this demonstrated the growth potential of the organic industry in North Carolina and its potential to increase farmers' incomes.

#### *Discussion of Proposals*

The Commission discussed a variety of proposals offered to the Commission.<sup>5</sup> There was particular interest in proposals for property tax relief and for supporting alternative crop production and the establishment of value-added industries. Members also emphasized that small farmers need research and extension services specifically targeted to their needs, and that these could be consolidated in a small farm service center. The suggestion was made that the Commission seek reauthorization in order to continue its work in the interim following the 2000 Session of the 1999 General Assembly.

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<sup>4</sup> A summary report on the Farmland Preservation Trust Fund is included in Appendix B.

<sup>5</sup> The discussion guide *Proposals Offered to the Small Family Farm Preservation Commission* and proposals presented by Commission Members representing Environmental Defense and the Southern Environmental Law Center are included in Appendix B.

**March 28, 2000**

The Commission heard and discussed presentations on cooperative growing, processing and marketing and the trends and outlook for contract farming.

*Cooperative Growing, Processing, and Marketing*

Gary Gumz of Mountain Partners in Agriculture said his organization promotes a community-centered model of agriculture that emphasizes farmland preservation, sustainable production systems, promotion of agricultural products, and developing policies that benefit small farmers.<sup>6</sup> His recommendations included increasing cooperation between cooperative extension programs and community colleges, continuing and expanding use-value taxation, facilitating the establishment of more farmland preservation districts, linking retiring farmers with new farmers, supporting organic production and value-added enterprise development, and providing assistance to farmer-owned marketing cooperatives.

Aubrey Raper, a farmer with the Carolina Organic Cooperative (COG), described his transition from farming burley tobacco to growing and marketing organic produce. He said he has had particular success with watercress, which he sells to a yacht club in Wilmington. Mr. Raper noted that many market opportunities exist, but that farmers in his cooperative need assurances of a steady demand before they invest in serving a particular market.

Charles D. Edwards, Market Manager of the State Farmers Market for the North Carolina Department of Agriculture and Consumer Services, described how the State's farmers markets operate and their importance for small farmers. He said efforts are underway at the Raleigh farmer's market to expand the facilities available for organic produce and wholesale marketing. Mr. Edwards noted that there are over 100 farmers markets around the State, including many small, independent markets.

Carolyn Prince, Executive Director of the North Carolina Coalition of Farm and Rural Families, said farmers are realizing that they need to work together in order to stay in business. She said the Coalition is partnering with other nonprofits and the universities to help farmers develop cooperative, value-added enterprises and market their products. She stressed that farmers need help transitioning from commodities with depressed prices to other production strategies, and that information must be given to farmers in a way that they understand in settings that makes them feel comfortable. Ms. Prince noted that many of the Black farmers the Coalition works with don't show up in statistics on farmers because they rent land or farm family land.

Tom Slade, Marketing Specialist for Cooperative Development at the North Carolina Department of Agriculture and Consumer Services, said he could serve as a resource for information on cooperative development.

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<sup>6</sup> An overview of the Mountain Partners in Agriculture Project is included in Appendix B.

*Contract Farming: Trends and Outlook*

Mary Clouse, Director of the Contract Agriculture Program at the Rural Advancement Foundation International (RAFI), said she had been a contract poultry grower for many years and described changes in contract farming over the past several decades. Among the changes she highlighted were the fact that integrators are no longer locally-based, the investment required to enter into a contract has increased dramatically, and contracts have become much more complex. She said some growers are in a situation similar to debt bondage, and RAFI is working with growers to try to find ways to make contracts more balanced, particularly in terms of risks and liabilities. Her recommendations included adopting a State bill of rights for contract farmers, requiring that a full disclosure statement be signed by both farmer and company before a contract is signed or a bank loan completed, and developing model contracts for all farm commodities. She also recommended passing resolutions to support contract reform bills currently under consideration by Congress. These include a bill to authorize farmers to organize into cooperatives to collectively negotiate contracts.

Doug Harris, a poultry grower, said farmers need protection from unfair contracts. He said that without changes in contracting, farmers are headed towards being sharecroppers on their own land. Mr. Harris said California has adopted contract reforms that have benefited growers without damaging the industry.

Lionel Edwards, General Manager of the Flu-Cured Tobacco Stabilization Co-op Corporation, said he believed the introduction of contracting into the tobacco industry would lead to the phasing out of small farmers and of the tobacco program. Mr. Edwards said that if contracting does come into the tobacco industry, it will be important to have a model contract and an independent party to evaluate the quality of the grower's tobacco.

Barbara Riley, Commission Counsel, gave a presentation on contract agriculture in other states. Ms. Riley said Minnesota, Wisconsin, and Kansas have adopted measures to regulate contracts, while California had adopted measures to address the bargaining process. Ms. Riley noted that the federal government is also considering several contract reform measures.

In discussing the issue of contract reform, Commission members noted that contracts could be beneficial as well as detrimental to farmers, and that it would be unfortunate if North Carolina enacted legislation that would put it at a disadvantage relative to other states.

**April 11, 2000**

The Commission heard presentations about research on alternative crops at North Carolina State University, pasture dairying combined with no-till agriculture, efforts to keep farmers from losing their farms through foreclosures, and an initiative to increase the use of voluntary agricultural districts. The meeting closed with a brief discussion of legislative proposals presented for the Commission's recommendation.

*Alternative Crops Research at North Carolina State University (NCSU)*

Dr. Jeanine M. Davis, Assistant Professor of Horticultural Science, gave an overview of specialty crop production and niche marketing. She described the work of the Specialty Crops Program, which is a cooperative venture between NCSU, the Department of Agriculture, and Cooperative Extension.

Dr. Nancy G. Creamer, Assistant Professor of Horticultural Science, gave a presentation on organic farming. She said the organic industry has grown along with a "buy local" movement. Ms. Creamer noted that the organic industry is currently the largest growth segment in agriculture, and said North Carolina is well positioned to increase its participation in this market. She said the Center for Environmental Farming Systems is researching strategies for converting farms to organic production, educating extension agents and students about organics, and conducting demonstration projects.

Dr. Thomas Lesordo, Professor of Zoology, discussed the characteristics of the production systems and markets for farmed catfish, striped bass, and tilapia. He said aquaculture could be part of a viable diversification strategy for some small farmers.

Dr. Jean-Marie Luginbuhl, Assistant Professor of Crop Science, discussed the growth of the meat goat industry in the State. He said the industry has grown with the growth of immigrant populations, which provide most of the demand for goat meat. He said the profits from meat goat production compare favorably with cattle production, regardless of the scale of production. He also noted that the industry would benefit from having more processing facilities.

Dr. James R. Ballington, Professor of Horticultural Science, gave a presentation on market opportunities and production strategies for off-season fruit production. He noted that farmers can get better prices for fruit produced off-season and described several methods of protected culture.

*Pasture Dairying and No-till Agriculture*

David Iles, a farmer from Halifax County, discussed his family's long history on their farm and how he began doing no-till agriculture and pasture dairying instead of conventional agriculture. He said tilling the soil greatly increases soil erosion, particularly on hills, but the quality and productivity of the soil can be maintained with no-till farming. Mr. Iles then described his process for rotational grazing of dairy cattle and said it was good for the cows' health and reduced feeding costs. He said lower production levels were more than offset by lower production costs.

*Preventing Farm Foreclosures*

Stephon Bowens, Executive Director of the Land Loss Prevention Project, said his organization usually sees farmers in crisis situations. His recommendations included providing credit to farmers in debt crisis situations; ensuring equity in services to all farmers, including small farmers and Black farmers; using information from other commissions, such as the Loan and Grant Study Commission and the Smart Growth Study Commission; and encouraging young people to go into farming.<sup>7</sup>

*Voluntary Agricultural Districts*

David Vogel, Director of the Division of Soil and Water Conservation in the Department of Environment and Natural Resources (DENR), said DENR and the Department of Agriculture were working to develop an inter-agency agreement on how to use the agricultural district law to develop additional incentives for farmland conservation. He said he would have additional details at a later date.

*Discussion of Legislative Proposals*

Staff distributed draft legislation to reauthorize the Commission and to provide a tax credit for investing in value-added agricultural enterprises. They requested that members provide feedback on these drafts.

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<sup>7</sup> These recommendations are included in Appendix B.

**May 3, 2000**

The Commission heard reports from fellow members on their ideas for a small farm center and an option for funding farmland preservation, and then considered legislative proposals to recommend to the 2000 Session of the 1999 General Assembly.

*Small Farm Center*

Archilus L. Hart of the North Carolina Department of Agriculture and Consumer Services (NCDA), said North Carolina may be chosen as the site for a United States Department of Agriculture (USDA) Small Farm Center. He said a small farm center should serve the primary needs of small farmers through research and outreach, with an emphasis on providing information to farmers on marketing and processing in addition to production. He said a small farm center should provide leadership for statewide efforts to help small farmers. He said it should also serve as a clearinghouse for questions from farmers and the resources to answer these questions.<sup>8</sup>

Dr. James L. Oblinger, Dean of the College of Agriculture and Life Sciences at North Carolina State University, then discussed what he hoped to see in terms of services provided to small farmers. He mentioned the work done by the Governor's Advisory Committee on Agriculture and the Rural Prosperity Task Force and noted that these groups and the Commission had all discussed markets, alternative agricultural enterprises, taxes, and cooperatives. He said he saw this focus as an opportunity to reinvigorate the land-grant universities and increase cooperation between the universities, NCDA, and State agencies. Dr. Oblinger suggested the Center for Environmental Farming Systems in Goldsboro as a potential location for a small farm development and sustainability center and recommended convening a work group to further develop the concept. Dr. Oblinger said his vision for this center was not inconsistent with any of the ideas presented by Mr. Hart or North Carolina A&T State University.<sup>9</sup>

Dr. Daniel D. Godfrey, Dean of the School of Agriculture and Environmental and Allied Sciences at North Carolina A&T State University (NCA&T), noted that Mr. Hart and Dr. Oblinger had already mentioned the important ingredients of a small farm center. He said the federal government was considering establishing a Mid-Atlantic regional small farm center, and NCA&T was hoping to obtain a grant for a collaborative project.<sup>10</sup>

Commission members responded positively to the presentations and emphasized that a small farm center should provide services to farmers whenever they are needed, which would go well beyond normal business hours. They also noted the importance of helping farmers understand environmental regulations and how to comply with them.

*Funding for Farmland Preservation*

Robert Caldwell, Master of the North Carolina State Grange, presented a proposal to fund farmland preservation through charging a \$100/ acre fee on the development of farmland for non-farm uses. Mr. Caldwell said the money from this fee could then be used to buy

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<sup>8</sup> Mr. Hart's concept is articulated in the "Small Farmer Center" handout included in Appendix B.

<sup>9</sup> Dr. Oblinger's concepts for a center and a work group are included in Appendix B.

<sup>10</sup> Dr. Godfrey's proposal for a small farm development center is included in Appendix B.

easements on farms and to make low-interest loans to farmers who had placed easements on their property and new farmers.<sup>11</sup> Commission members discussed the feasibility of the concept and noted that it could help fund the Governor's initiative to preserve one million acres by 2010. They said it was an interesting concept that deserved further study, and expressed a desire to know how this proposal compared to other states' mechanisms for financing farmland preservation.

*Preserve Farmlands/ Small Farms*

Representative Verla Insko was called on to discuss House Bill 1132 (Preserve Farmlands/ Small Farms), which she introduced in the 1999 Session of the 1999 General Assembly. She explained that the bill would provide an incentive for counties to develop farmland preservation plans through adding a sliding matching requirement for accessing Farmland Preservation Trust moneys that favors counties with plans. At the end of the 1999 Session the bill was under consideration by the Senate Finance Committee. The Commission voted to recommend that the General Assembly ratify House Bill 1132.<sup>12</sup>

*Reauthorize Commission*

The Commission considered a legislative proposal to reauthorize the Commission and direct it to develop a proposal for the establishment of a small farm center. The Commission voted to recommend this proposal to the 2000 Session of the 1999 General Assembly.

*Credit for Value-Added Agricultural Business*

The Commission considered a legislative proposal to provide a tax credit for investing in value-added agricultural enterprises. After determining that an income cap of \$250,000 should be added for individuals and corporations wishing to add value-added processing to their farms, the Commission voted to recommend this proposal to the 2000 Session of the 1999 General Assembly.

*Use Value Rollback Modified*

The Commission considered the re-introduction of Senate Bill 1103, which was introduced in the 1999 Session of the 1999 General Assembly. This bill would eliminate the rollback of deferred taxes when farmland taxed at use-value is transferred between farmers. The Commission voted to recommend this proposal to the 2000 Session of the 1999 General Assembly. The Commission discussed the possibility of also eliminating the rollback of deferred taxes when farmland is transferred to a new farmer, but then determined that this idea and other ways to support new farmers required further study.

*Report/ Final Business*

The Commission approved a draft of the Commission's report to the General Assembly on the condition that the staff add materials to reflect the current day's actions by the Commission. Before adjourning, the Commission informally discussed the possibility of holding a field hearing at the Center for Environmental Farming Systems in Goldsboro if the Commission is reauthorized.

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<sup>11</sup> The Farmland Preservation Fund proposal is included in Appendix B.

<sup>12</sup> All legislation recommended by the Commission is included in Appendix A.

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## COMMISSION RECOMMENDATIONS

The Commission recommends three new legislative proposals to the 2000 Session of the 1999 General Assembly. The Commission also recommends the ratification of one previously introduced legislative proposal. These proposals are summarized below, and the full text of each proposal is included in Appendix A.

### Recommended for Introduction

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#### **I. Reauthorize Small Family Farm Preservation Commission**

This proposal would reauthorize the Commission and authorize it to study any issue related to the preservation of small family farms in North Carolina. It would specifically direct the Commission to develop a proposal for the establishment of a small farm center to promote the economic viability of small family farms by:

- Providing information to small farmers on products, production methods, and marketing strategies in which small farms could have an advantage over larger farms.
- Providing technical assistance to farmers in business management and on-farm problem-solving.
- Administering cost-share programs to assist small farmers in establishing value-added enterprises, developing marketing channels, and converting their farms to produce higher-value products.
- Administering a value-added agricultural enterprise incubator.

The Commission would be required to report to the 2001 General Assembly. The act would become effective when it becomes law.

#### **II. Credit for Value-Added Ag Business**

Legislative Proposal II would create a credit against North Carolina income taxes for 25% of an investment in a "qualified North Carolina value-added agribusiness." The limit of the credit for an individual taxpayer would be \$50,000, with a total of \$2,000,000 in credits being available each year.

A "qualified North Carolina value-added agribusiness" is defined as a commercial entity that uses, processes, refines, or packages raw agricultural products in a manner that increases their value in the market. The commercial entity may be an agricultural marketing cooperative organized under Subchapter V of Chapter 54 of the General Statutes, or a natural person, partnership or corporation with gross income of less than \$250,000 from the production of raw agricultural products.

If the Secretary of Revenue determines that applications for the credit exceed the amount available in any given year, the amount of credit to each individual will be prorated in proportion to the size of the credit claimed by each taxpayer.

The bill becomes effective July 1, 2000 and applies to investments made on or after that date.

**III. Use Value Rollback Modified**

Under the current provisions of G.S. 105-277.3, when agricultural property that qualifies for use value taxation is transferred between farmers, the property retains its special classification but deferred taxes under G.S. 105-277.4(c) are due. Legislative Proposal III would eliminate the payment of the deferred taxes at the time of transfer. Deferred taxes, however, would remain a lien on the property. The act would become effective for taxes imposed for taxable years beginning on or after July 1, 2000.

**Recommended for Ratification (previously introduced)**

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**House Bill 1132 (Preserve Farmlands/ Small Farms)**

HB 1132 would provide an incentive for counties to develop farmland preservation plans through adding a graduated matching requirement for accessing Farmland Preservation Trust moneys that favors counties with plans. The act would become effective July 1, 2000.

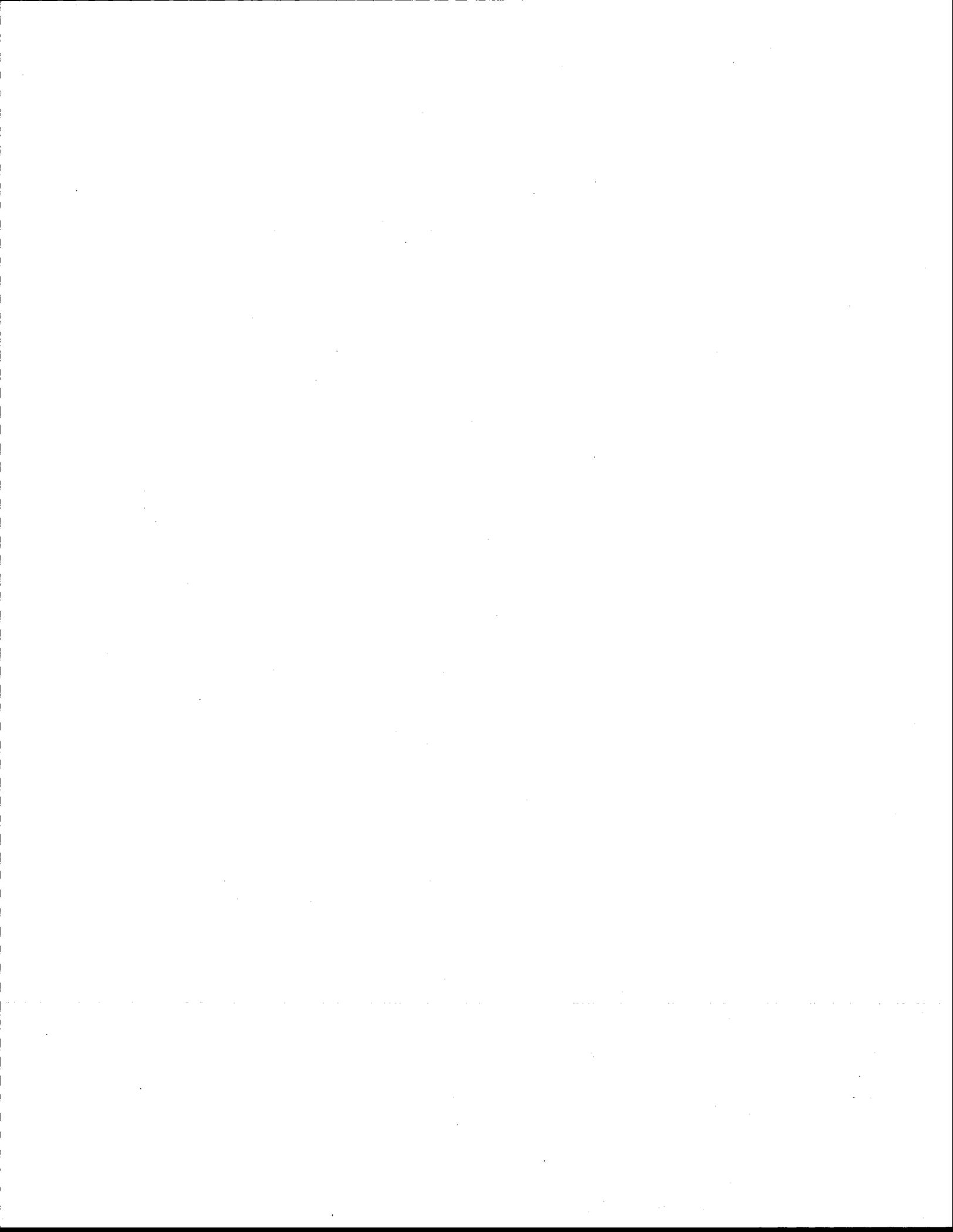
APPENDIX A:  
LEGISLATIVE PROPOSALS



## **CONTENTS**

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1. LEGISLATIVE PROPOSAL I: Reauthorize Small Family Farm Preservation Commission.
2. LEGISLATIVE PROPOSAL II: Credit for Value-Added Ag Business.
3. LEGISLATIVE PROPOSAL III: Use Value Rollback Modified.
4. RECOMMENDED FOR RATIFICATION: House Bill 1132 (Preserve Farmlands/Promote Small Farms).



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

S/H

D

00-sjz-001.02

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

Short Title: Reauthorize Small Family Farm Preservation  
Commission (P)

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Sponsors:

---

Referred to:

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1 A BILL TO BE ENTITLED  
2 AN ACT TO REATHORIZE THE COMMISSION ON SMALL FAMILY FARM  
3 PRESERVATION.  
4 Whereas, the Commission on Small Family Farm  
5 Preservation has diligently been addressing issues related to the  
6 preservation of small family farms in this State; and  
7 Whereas, the Commission was unable to initiate its work  
8 until the 1999-2000 Interim due to the unanticipated length of  
9 the 1998 Regular Session; and  
10 Whereas, the preservation of small family farms is of  
11 vital importance to the well-being of rural North Carolina; and  
12 Whereas the Commission has identified several areas of  
13 potential action to benefit the State's small family farmers that  
14 require more study for the crafting of meaningful proposals; Now,  
15 therefore,  
16 The General Assembly of North Carolina enacts:  
17 Section 1. The Commission on Small Family Farm  
18 Preservation is created in the General Assembly. The Commission  
19 may study any issue related to the preservation of small family  
20 farms in the State.  
21 Section 2. The Commission on Small Family Farm  
22 Preservation shall develop a proposal for the establishment of a

1 small farm center that will promote the economic viability of  
2 small family farms by:

3 (1) Providing information to small farmers on products,  
4 production methods, and marketing strategies that may increase  
5 the farmers' profit margins, including production systems in  
6 which smaller farms potentially have the advantage over larger  
7 farms.

8 (2) Providing technical assistance to small farmers in  
9 business management and on-farm problem solving.

10 (3) Administering cost-share programs that assist small  
11 farmers in establishing value-added agricultural enterprises,  
12 establishing direct-marketing channels, and converting farming  
13 operations to produce higher-value products.

14 (4) Administering a value-added agricultural enterprise  
15 incubator that provides resources and support for individuals and  
16 cooperatives seeking to establish enterprises that will help  
17 small farmers and farming communities capture a greater share of  
18 the dollars consumers spend on food and fiber from agricultural  
19 sources.

20 Section 3. (a) The Commission on Small Family Farm  
21 Preservation shall consist of 19 members:

22 (1) One member of the Senate appointed by the President  
23 Pro Tempore of the Senate.

24 (2) One member of the Senate appointed by the President  
25 Pro Tempore of the Senate.

26 (3) One member of the Senate appointed by the President  
27 Pro Tempore of the Senate.

28 (4) One member of the House of Representatives  
29 appointed by the Speaker of the House of  
30 Representatives.

31 (5) One member of the House of Representatives  
32 appointed by the Speaker of the House of  
33 Representatives.

34 (6) One member of the House of Representatives  
35 appointed by the Speaker of the House of  
36 Representatives.

37 (7) One farmer, appointed by the Governor, who  
38 currently operates a well-managed small family farm  
39 in North Carolina.

40 (8) One farmer, appointed by the Governor, who  
41 currently operates a well-managed small family farm  
42 in North Carolina.

43 (9) The Master of the North Carolina State Grange or  
44 the Master's designee.

- 1 (10) The President of the North Carolina Farm Bureau  
2 Federation or the President's designee.
- 3 (11) The Commissioner of Agriculture or the  
4 Commissioner's designee.
- 5 (12) The Secretary of Environment and Natural Resources  
6 or the Secretary's designee.
- 7 (13) The Secretary of Commerce or the Secretary's  
8 designee.
- 9 (14) The Dean of the School of Agriculture and Life  
10 Sciences at North Carolina State University or the  
11 Dean's designee.
- 12 (15) The Dean of the School of Agriculture at North  
13 Carolina Agricultural and Technical State  
14 University or the Dean's designee.
- 15 (16) The Dean of the School of Design at North Carolina  
16 State University or the Dean's designee.
- 17 (17) The Dean of the School of Regional Planning at the  
18 University of North Carolina at Chapel Hill or the  
19 Dean's designee.
- 20 (18) The Director of the North Carolina Environmental  
21 Defense Fund or the Director's designee.
- 22 (19) The Director of the Southern Environmental Law  
23 Center or the Director's designee.
- 24 (b) The President Pro Tempore of the Senate and the  
25 Speaker of the House of Representatives shall each designate a  
26 member of the General Assembly who is a member of the Commission  
27 as cochair of the Commission. A majority of the Commission shall  
28 constitute a quorum for the transaction of business.
- 29 Section 4. The Commission on Small Family Farm  
30 Preservation shall file a final report to the 2001 General  
31 Assembly. The Commission shall submit its final report by filing  
32 the report with the President Pro Tempore of the Senate and the  
33 SPEaker of the House of Representatives. The final report shall  
34 contain the findings, recommendations, and legislative proposals  
35 of the Commission.
- 36 Section 5. Members appointed to the Commission shall  
37 serve until the Commission makes its final report. Vacancies on  
38 the Commission shall be filled by the same appointing officer who  
39 made the original appointments. The Commission shall terminate  
40 upon the filing of its final report.
- 41 Section 6. The Commission may contract for consultant  
42 services as provided by G.S. 120-32.02. The Commission may  
43 obtain assistance from the State's universities. Upon approval  
44 of the Legislative Services Commission, the Legislative Services

1 Officer shall assign professional and clerical staff to assist in  
2 the work of the Commission. Clerical staff shall be furnished to  
3 the Commission through the offices of the House of  
4 Representatives' and Senate's Supervisors of Clerks. The  
5 Commission may meet in the Legislative Building or the  
6 Legislative Office Building upon the approval of the Legislative  
7 Services Commission. The Commission, while in the discharge of  
8 official duties, may exercise all the powers authorized by G.S.  
9 120-19 through G.S. 120-19.4.

10 Section 7. Members of the Commission shall receive per  
11 diem, subsistence, and travel allowances as follows:

- 12 (1) Commission members who are also General Assembly  
13 members, at the rate established in G.S. 120-3.1.
- 14 (2) Commission members who are officials or employees  
15 of the State or local government agencies, at the  
16 rate established in G.S. 138-6.
- 17 (3) All other Commission members, at the rate  
18 established in G.S. 138-5.

19 Section 8. The Commission on Small Family Farm  
20 Preservation shall file a final report to the the 2001 General  
21 Assembly. The Commission shall submit its final report by filing  
22 the report with the President Pro Tempore of the Senate and the  
23 Speaker of the House of Representatives. The final report shall  
24 contain the findings, recommendations, and legislative proposals  
25 of the Commission.

26 Section 9. The sum of twenty-five thousand dollars  
27 (\$25,000) is appropriated from the General Fund for fiscal year  
28 2000-2001 to fund the activities of the Commission on Small  
29 Family Farm Preservation.

30 Section 10. This act is effective when it becomes law.

LEGISLATIVE PROPOSAL II  
GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 1999

s/h

D

2000-rf-agribusinesscredit  
THIS IS A DRAFT 11-MAY-00 10:17:13

Short Title: Credit for Value-Added Ag Business (Public)

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Sponsors:

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Referred to:

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1 A BILL TO BE ENTITLED  
2 AN ACT TO CREATE AN INCOME TAX CREDIT FOR TAXPAYERS INVESTING IN  
3 AGRIBUSINESS ENTERPRISES THAT ADD VALUE TO RAW, NORTH CAROLINA  
4 GROWN AGRICULTURAL COMMODITIES  
5 The General Assembly of North Carolina enacts:  
6 Section 1. Chapter 105 of the General Statutes is  
7 amended by adding a new article to read:  
8 "Article 3E  
9 Value Added Agribusiness Tax Credit  
10  
11 "105-129.40. Credit for Investment in Value-Added Agribusiness.  
12 (a) A taxpayer who invests in a qualified North Carolina value-  
13 added agribusiness shall be entitled to a credit against the  
14 income tax imposed under Article 4 of this Chapter in the amount  
15 of 25% of the amount invested. Investments in a qualified North  
16 Carolina value-added agribusiness may include cash and in kind  
17 contributions of machinery and equipment, real property, or  
18 facilities. To be eligible for the credit, contributions of  
19 machinery and equipment, real property or facilities shall be  
20 directly related to the agribusiness.  
21 (b) The amount of the credit allowed shall not exceed 50% of  
22 the tax against which it is claimed for the taxable year, or  
23 \$50,000, reduced by the sum of all credits allowed against the

1 tax except tax payments made by or on behalf of the taxpayer.  
2 This limitation applies to the cumulative amount of credit,  
3 including carryforwards claimed by the taxpayer under this  
4 Article against the tax for the taxable year. Any unused portion  
5 of the a credit may be carried forward for the succeeding 10  
6 years.

7 (c) The following definitions apply in this article:

8 (1) 'Commercial entity' means (i) an agricultural  
9 marketing cooperative established pursuant to Subchapter V of  
10 Chapter 54 of the General Statutes or (ii) a person producing raw  
11 agricultural products.

12 (2) 'Person' means a natural person, partnership, or  
13 corporation that earns less than \$250,000 in annual gross income  
14 from the production of raw agricultural products.

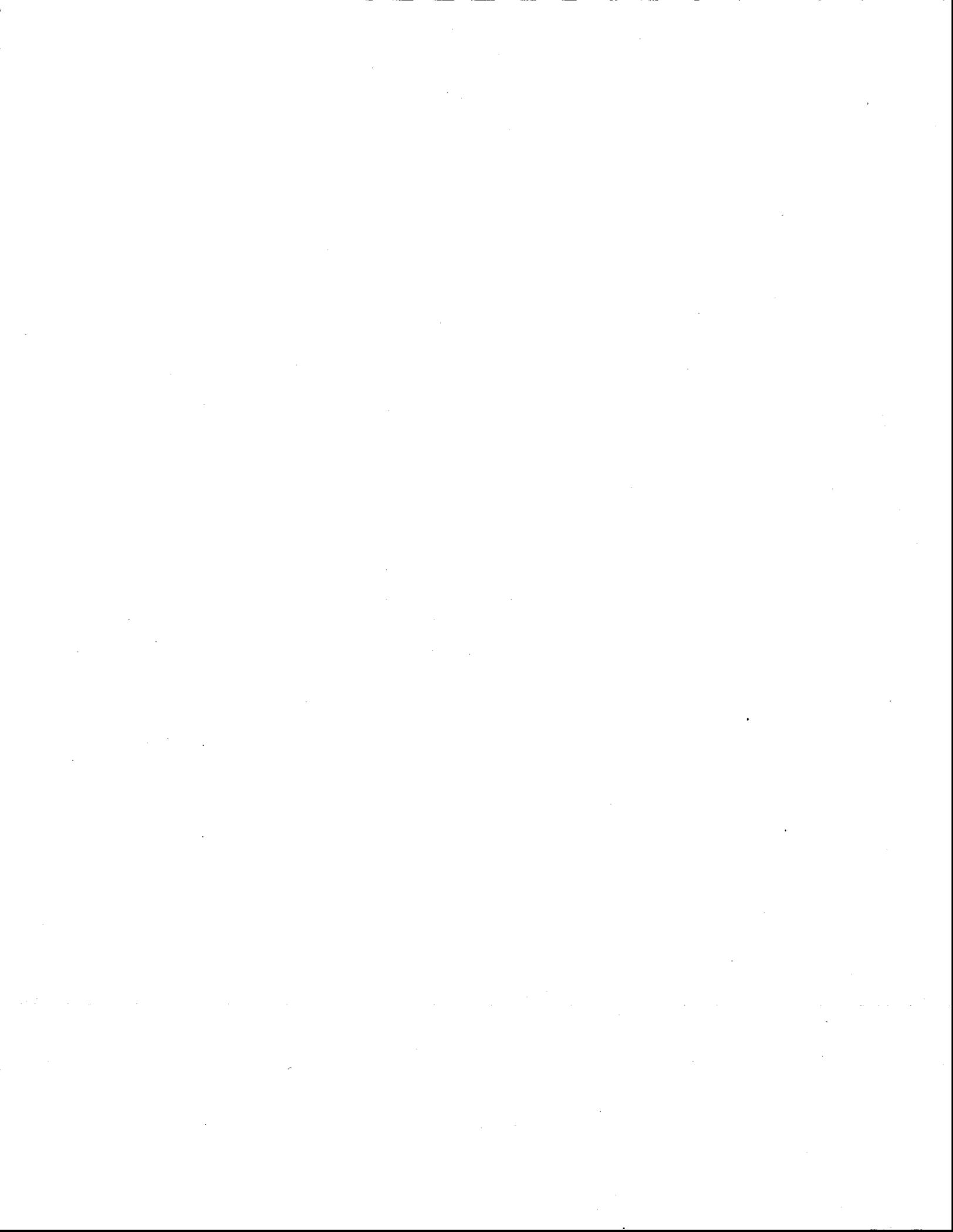
15 (3) 'Qualified North Carolina value-added agribusiness'  
16 means a commercial entity operating in this State that uses,  
17 processes, refines, or packages raw agricultural products in a  
18 manner that increases the value of the raw agricultural products  
19 on the market.

20 (d) To claim a credit allowed by this Article, the taxpayer  
21 shall provide any information required by the Secretary of  
22 Revenue. Every taxpayer claiming a credit under this Article  
23 shall maintain and make available for inspection by the Secretary  
24 of Revenue any records the Secretary considers necessary to  
25 determine and verify the amount of the credit to which the  
26 taxpayer is entitled. The burden of proving eligibility for the  
27 credit and the amount of the credit shall rest upon the taxpayer,  
28 and no credit shall be allowed to a taxpayer that fails to  
29 maintain adequate records or to make them available for  
30 inspection.

31 (e) The total amount of all tax credits allowed to taxpayers  
32 under this section for contributions made in a calendar year may  
33 not exceed two million dollars (\$2,000,000). The Secretary must  
34 calculate the total amount of tax credits claimed from the  
35 applications filed under this section. If the total amount of tax  
36 credits claimed for contributions made in a calendar year exceeds  
37 two million dollars (\$2,000,000), the Secretary must allow a  
38 portion of the credits claimed by allocating a total of two  
39 million dollars (\$2,000,000) in tax credits in proportion to the  
40 size of the credit claimed by each taxpayer. If a credit is  
41 reduced pursuant to this subsection, the Secretary must notify  
42 the taxpayer of the amount of the reduction of the credit on or  
43 before December 31 of the year the application was filed. The  
44 Secretary's allocations based on applications filed pursuant to

1 this section are final and will not be adjusted to account for  
2 credits applied for but not claimed.

3           Section 2. This act shall become effective July 1, 2000  
4 and shall apply to investments made in qualified North Carolina  
5 value-added agribusinesses on or after that date.





1 it meets both of the following conditions: ~~if both of the~~  
2 ~~following conditions are met, even if the new owner does not meet~~  
3 ~~all of the ownership requirements of subsections (b) and (b1) of~~  
4 ~~this section with respect to the land:~~

5           (1) The land was appraised at its present use value or  
6           was eligible for appraisal at its present use value  
7           at the time title to the land passed to the new  
8           owner.

9           (2) At the time title to the land passed to the new  
10          owner, the owner owned other land classified under  
11          subsection (a)."

12          Section 2. This act is effective for taxes imposed for  
13 taxable years beginning on or after July 1, 2000.



1 countywide farmland protection plan shall match fifteen percent (15%) of the Trust  
2 Fund monies it receives with county funds. A county that has not prepared a  
3 countywide farmland protection plan shall match thirty percent (30%) of the Trust  
4 Fund monies it receives with county funds. A county that is an enterprise tier one  
5 county, an enterprise tier two county, or an enterprise tier three county, as these  
6 counties are defined in G.S. 105-129.3(a), and that has prepared a countywide  
7 farmland protection plan shall not be required to match any of the Trust Fund  
8 monies it receives with county funds.

9 (c2) The Commissioner of Agriculture shall adopt rules and regulations governing  
10 the use, distribution, investment, and management of Trust Fund monies."

11 Section 2. G.S. 106-744 is amended by adding two new subsections to  
12 read:

13 "(e) As used in subsection (c1) of this section, a countywide farmland protection  
14 plan means a plan that satisfies all of the following requirements:

- 15 (1) The countywide farmland protection plan shall contain a list and  
16 description of existing agricultural activity in the county.
- 17 (2) The countywide farmland protection plan shall contain a list of  
18 existing challenges to continued family farming in the county.
- 19 (3) The countywide farmland protection plan shall contain a list of  
20 opportunities for maintaining or enhancing small, family-owned  
21 farms and the local agricultural economy.
- 22 (4) The countywide farmland protection plan shall describe how the  
23 county plans to maintain a viable agricultural community and shall  
24 address farmland preservation tools, such as agricultural economic  
25 development, including farm diversification and marketing  
26 assistance; other kinds of agricultural technical assistance, such as  
27 farm infrastructure financing, farmland purchasing, linking with  
28 younger farmers, and estate planning; the desirability and feasibility  
29 of donating agricultural conservation easements, and entering into  
30 voluntary agricultural districts.
- 31 (5) The countywide farmland protection plan shall contain a schedule  
32 for implementing the plan and an identification of possible funding  
33 sources for the long-term support of the plan.

34 (f) A countywide farmland protection plan that meets the requirements of  
35 subsection (e) of this section may be formulated with the assistance of an agricultural  
36 advisory board designated pursuant to G.S. 106-739."

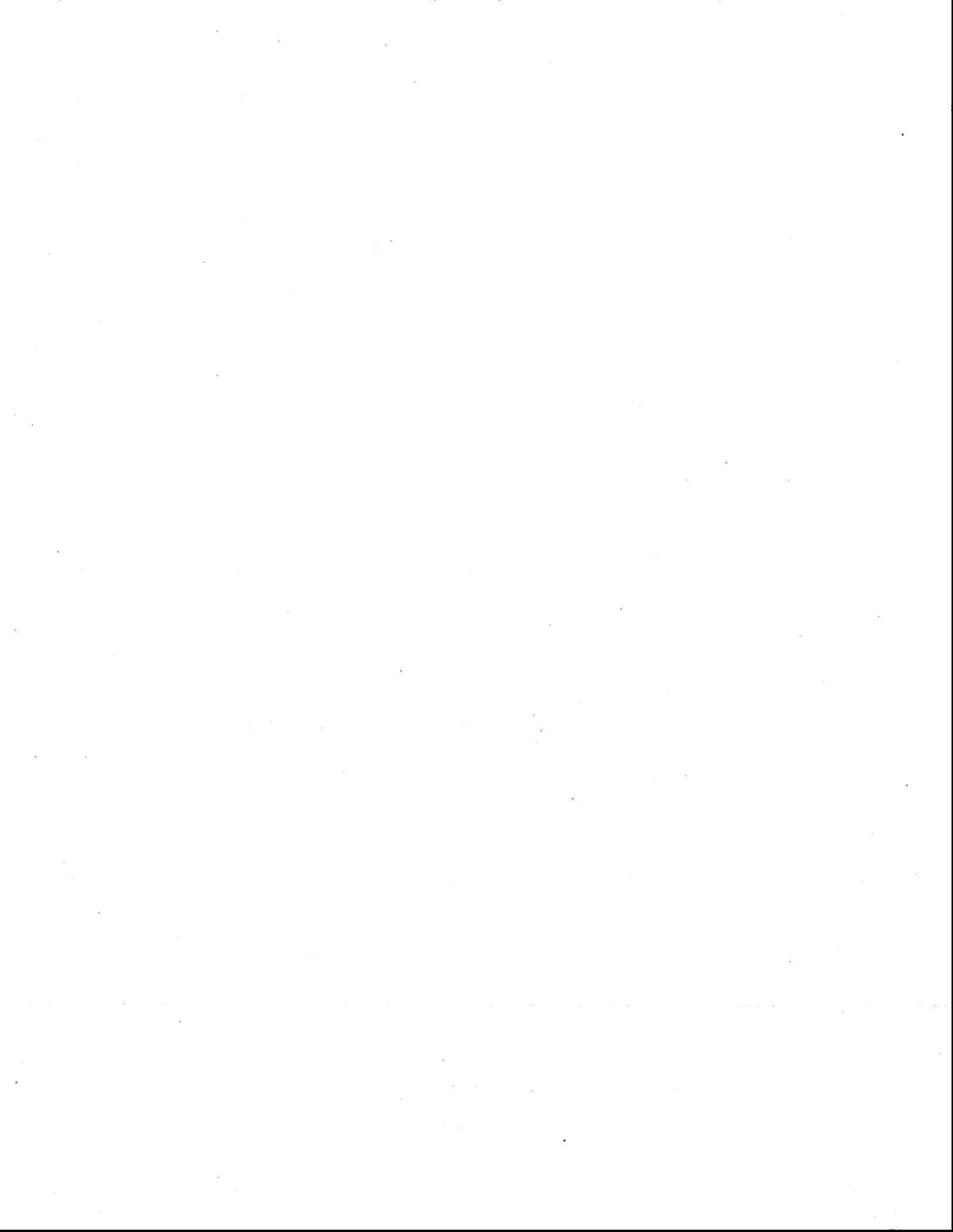
37 Section 3. Part 2 of Article 18 of Chapter 153A of the General Statutes is  
38 amended by adding a new section to read:

39 **§ 153A-335.1. Fees to support farmland protection.**

40 A county that has prepared and adopted a countywide farmland protection plan  
41 containing all the elements set forth in G.S. 106-744(e) may adopt an ordinance  
42 imposing a fee of no more than ten dollars (\$10.00) for each subdivision plat required  
43 to be filed with the register of deeds for recordation. The monies collected pursuant

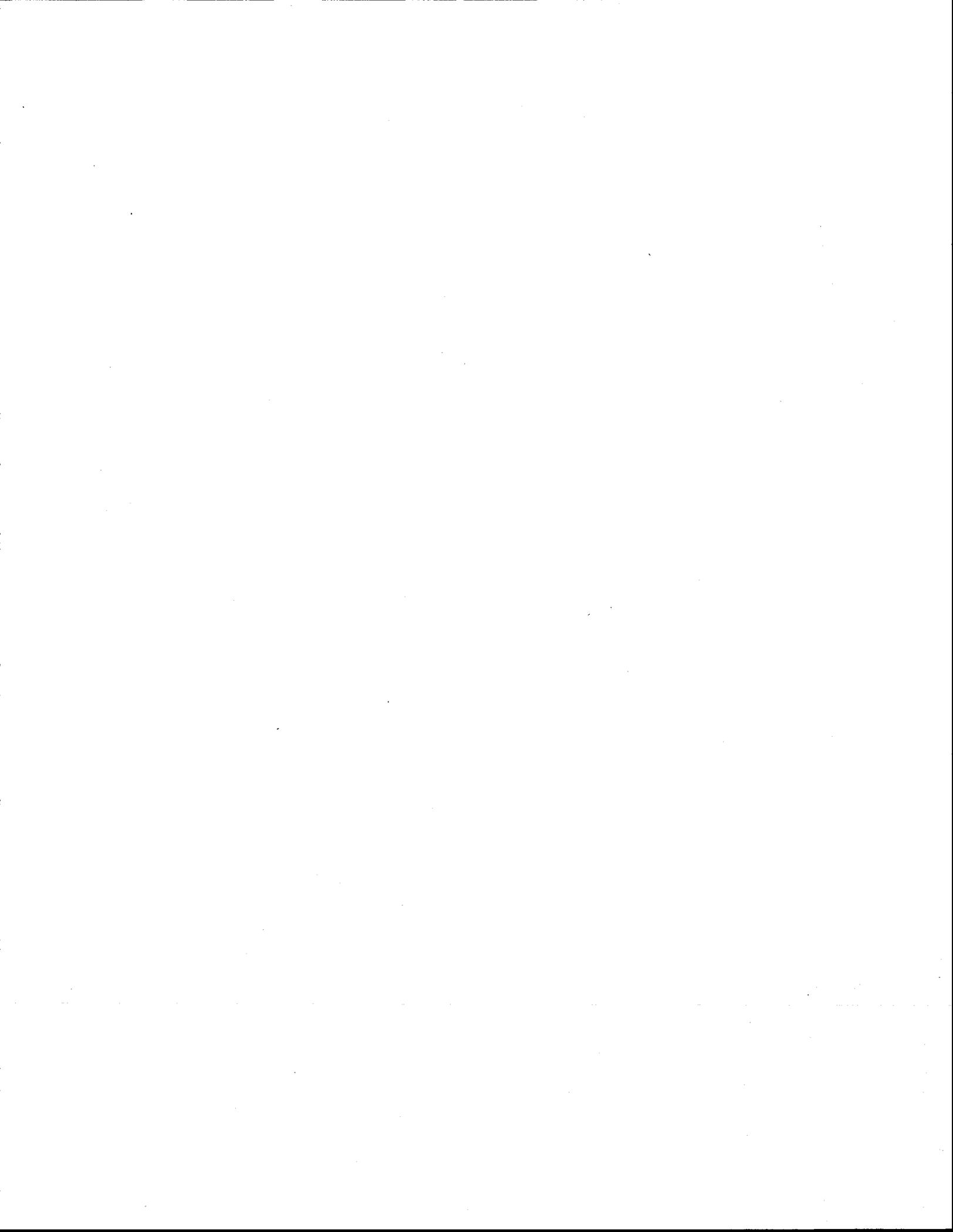
1 to this section shall be used to meet the county match requirements for obtaining  
2 funding from the North Carolina Farmland Preservation Trust Fund."

3           Section 4. This act becomes effective July 1, 2000.



**APPENDIX B:**

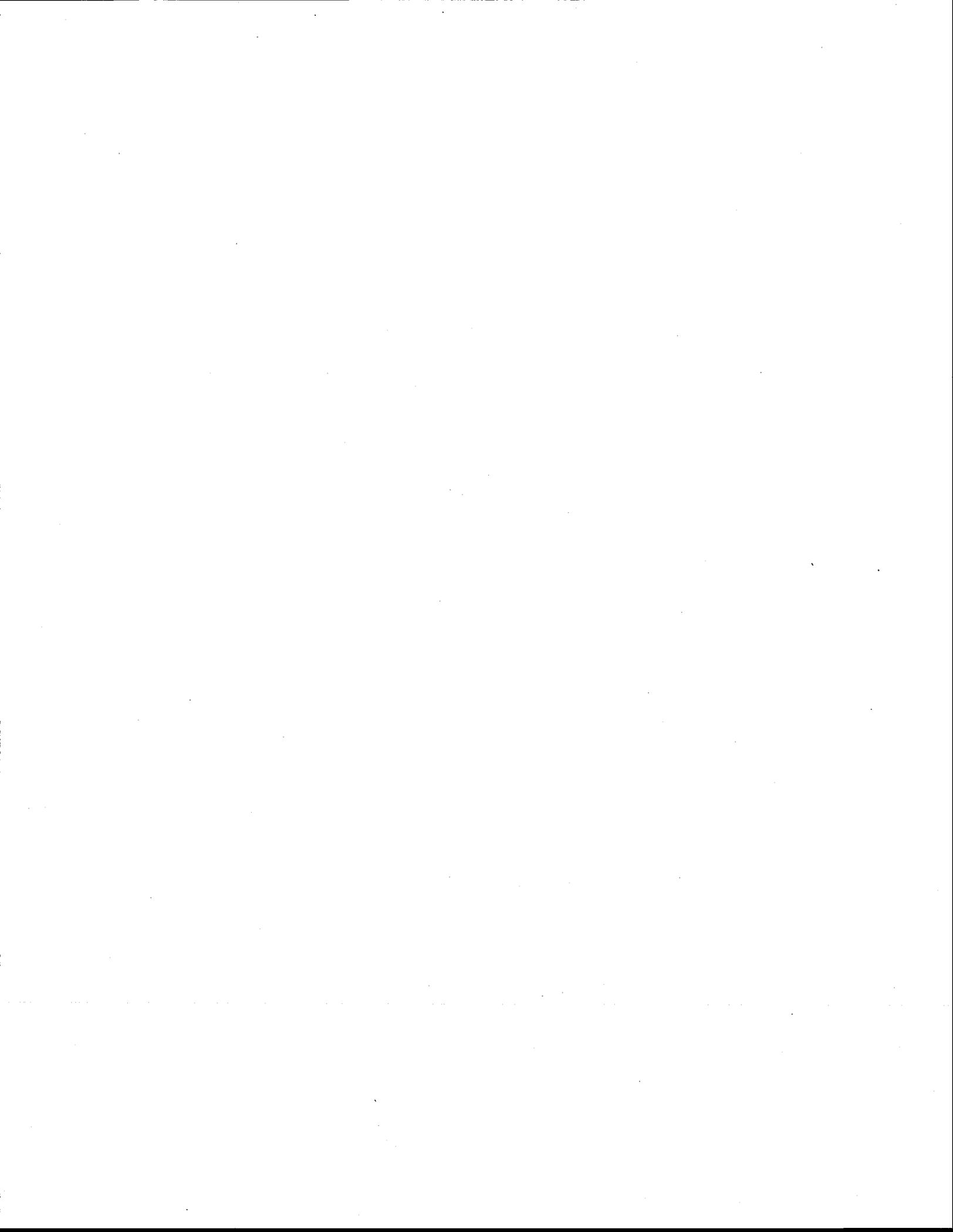
**SELECTED MATERIALS PRESENTED  
TO THE COMMISSION**



## CONTENTS

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1. *Small Farms in North Carolina Agriculture: Summary Report for Senator Albertson*, August 1999. Dr. Geoff Benson, Associate Professor and Extension Economist at North Carolina State University, presented this report to the Commission January 10, 2000.
2. *Recommendations to the N.C. Small Farm Commission*, Betty Bailey, RAFI-USA. Ms. Bailey presented these recommendations to the Commission February 22, 2000.
3. *Recommendations Summary: Agriculture*, North Carolina Rural Prosperity Task Force. Larry Wooten, Chair of the Rural Prosperity Task Force Focus Group on Agriculture, presented these recommendations to the Commission February 22, 2000.
4. *North Carolina Farmland Preservation Demonstration Project: Grants Awarded from NC Farmland Preservation Trust Fund 1999 and 2000*. Charles E. Rowe, Executive Director of the Conservation Trust of North Carolina, presented this report to the Commission March 15, 2000.
5. *Proposals Offered to the Small Family Farm Preservation Commission (as of 3/14/2000)*. Staff prepared this report and presented it for Commission discussion March 15, 2000.
6. *Recommendations for the Small Family Farm Preservation Commission*, Environmental Defense and the Southern Environmental Law Center. Michelle Nowlin, Commission Member representing the Southern Environmental Law Center, and Kathy Cochran, Commission Member representing Environmental Defense, presented these recommendations to the Commission March 15, 2000.
7. *Mountain Partners in Agriculture Project: Toward a Regional Sustainable Agriculture System*. Gary F. Gumz, Project Director of Mountain Partners in Agriculture, presented this report to the Commission March 28, 2000.
8. *Recommendations to Improve the Plight of Small Family Farms in North Carolina*. Stephon J. Bowens, Executive Director of the Land Loss Prevention Project, presented these recommendations to the Commission April 11, 2000.
9. *Small Farmer Center*. Archilus L. Hart of the North Carolina Department of Agriculture and Consumer Services, presented this proposal to the Commission May 3, 2000.
10. *Small Farm Development and Sustainability Center, and Small Farm Development and Sustainability Work Group*. Dr. James L. Oblinger, Dean of the College of Agriculture and Life Sciences at North Carolina State University, presented these handouts to the Commission May 3, 2000.
11. *Small Farm Development Center*. Dr. Daniel D. Godfrey, Dean of the School of Agriculture and Environmental and Allied Sciences at North Carolina A&T State University, presented this proposal to the Commission May 3, 2000.
12. *Farmland Preservation Fund (A Proposal for Discussion)*. Robert Caldwell, Master of the North Carolina State Grange, presented this proposal to the Commission May 3, 2000.



# Small Farms in North Carolina Agriculture

## Summary Report for Senator Albertson

August, 1999

In their report entitled "A Time to Act" (enclosed), the USDA National Commission on Small Farms defined small farms as "farms with less than \$250,000 gross receipts annually on which day-to-day labor and management are provided by the farmer and/or the farm family that owns the production or owns, or leases, the productive assets."

Small farms represent a significant proportion of the total farms and farming activity in North Carolina. All counties in our state have some small farms; however, the intense row-crop counties in the coastal plain and tidewater areas have relatively few small farms. Otherwise, they are distributed broadly throughout the state. Due to the low average farm size in North Carolina, Cooperative Extension (NCSU and NCA&T) has used the following working definition for small farms. Small farms are those that generate less than \$50,000 in sales annually; are operated solely or primarily by the owners and their families; have owners/operators who desire to generate a significant amount of their living from the farm; may be full or part-time operations; and have owners who may have some income from off-farm sources. Farms that conform to these descriptors provide the opportunity for 30,000 to 40,000 people to be engaged in farming that might not otherwise be able to participate in that occupation.

### The economic value of small farms

The table on the next page shows, by value of farm sales, the number of farms and total sales of farms in North Carolina based on the 1997 Census of Agriculture. By either definition above, small farms in North Carolina generate a small, but not inconsequential, amount of revenue. By the USDA Commission definition, farms producing sales of less than \$250,000 generated a total of \$1.092 billion in 1997. Considering the working definition above, farms producing sales of less than \$50,000 generated \$306 million in 1997. However, the net income generated by these farms is even smaller. The USDA Commission report suggests that small farmers typically spend in excess of 80% of their receipts on production inputs; therefore, the net income generated by either of these groupings is very small.

Many successful small farms are not involved in producing the "mainstream" commodities. In fact, in the Small Farm Commission report, Mark Gaskell of California stated, "The opportunities that exist for small-scale agriculture have to do with relatively minor crops, specialty crops, high-value crops, in many cases, organic fruit and vegetable production, and those types of commodities are not currently served by traditional experiment station structure or traditional USDA programs." Much the same situation exists in North Carolina. Successful small farmers will be those that develop niche markets and add value to the products they produce.

The 1997 Census of Agriculture for North Carolina (NASS/USDA Publication AC97-A-33) gives a very detailed data set of the characteristics of North Carolina farms. Of particular interest related to small farms are: Chapter 1: Table 49 (Summary by Size of Farm) and Table 50 (Summary by Market Value of Agricultural Products Sold); and Chapter 2: Table 1 (County Summary Highlights) and Table 2 (Market Value of Agricultural Products Sold and Farms by North American Industry Classification System). These tables and a copy of the title page and table of contents of this report is attached. The entire report is also available at the NASS home page, located at [www.usda.gov/nass/](http://www.usda.gov/nass/). Also included are the state and county summary sheets that highlight significant information on changes in farm size and value.

## Market Value of Ag Products Sold and Farm Numbers in North Carolina<sup>1</sup>

Sales Group, \$	Number of Farms	Total Sales, \$ million
<1,000	6,603	1.745
1,000 - 2,499	7,050	11.635
2,500 - 4,999	6,642	23.757
5,000 - 9,999	6,261	44.236
10,000 - 19,999	5,025	70.270
20,000 - 24,999	1,445	32.021
25,000 - 39,999	2,454	77.306
40,000 - 49,999	1,016	45.086
50,000 - 99,999	2,764	197.211
100,000 - 249,999	3,579	588.773
250,000 - 499,999	2,742	999.156
500,000 +	3,825	5,590.327

1997 Census of Agriculture - County Data. USDA, <sup>ASS</sup>

### The public value of small farms

Economic statistics speak only to the "product output" of farms by measures of crop and livestock sales and they likely underestimate the total economic contributions of small farms stated earlier. These numbers do not reflect the social and environmental goods produced by a large number of small farms. Some of the public values generated by small farms include:

- **Diversity:** Small farms embody a diversity of ownership, of cropping systems, of landscapes, of biological organization, culture and traditions. Land ownership and farming provided a foundation for community and tradition for the new settlers and pioneers who often fled from oppressive regimes to seek greater opportunity in America.
- **Environmental benefits:** Approximately 60 percent of all farms are less than 180 acres in size, indicating that the majority of farmland is managed by a large number of small farm operators. Responsible management of the natural resources of soil, water, and wildlife encompassed by these operations produces significant environmental benefits for society to enjoy.
- **Self-empowerment and community responsibility:** Decentralized land ownership produces more equitable economic opportunity for people in rural communities, as well as greater social capital. Owner-operated farm structures offer individual self-employment and business management opportunities. This can provide a greater sense of personal responsibility and feeling of control over one's life, characteristics that are not as readily available to factory line workers. Land owners who

rely on local businesses and services for their needs are more likely to be held accountable for any negative actions that harm the community.

- **Places for families:** Farms, particularly family farms, can be nurturing places for children to grow up and acquire the values of responsibility and hard work. The skills of farming are passed from one generation to another under family ownership structures. When farm children do not return to farming because of their desire for more financially secure careers, a generation of farming knowledge, skills, and experience is lost.
- **Personal connection to food:** With less than 2 percent of the Nation's population engaged in farming, most consumers have little connection to agriculture and food production. As a consequence, they have little connection with nature, except as a place for recreation, and lack an appreciation for farming as cultivation of the earth for the production of food that sustains us. Through farmers markets, Community Supported Agriculture, and direct marketing strategies of small farmers, people are beginning to connect with the people growing their food. Consumers are developing meaningful, direct relationships with farmers and a connection with food as a product of a farmer's cooperation with nature.
- **Economic foundation:** In some States and regions of the country, dispersed farm operations are key to economic vitality. Historically, decline in U.S. farm numbers were more than offset by increases in places like Wisconsin, a State whose farm economy has been characterized by a large number of moderate-sized family-operated dairy farms. Since 1988, total volume of milk produced in the State has dropped and the real value of gross sales has also decreased. The loss of dairy farms in this case has meant a loss to the State's economic output.

### Why are small farms at risk?

As with most major industries, ownership and control over agricultural assets are increasingly concentrated in fewer and fewer hands. Concentration translates into the loss of open and competitive markets at the local level. Farmers have little to no control over setting the price for their products. The basic tenets of a "competitive" market are less and less evident in crop and livestock markets today.

The recent passage of the 1996 Federal Agricultural Improvement and Reform Act is a watershed event in the history of Federal farm policy. It signals the reduction and eventual elimination of government intervention in commodity markets as a means to provide income and price stability for the farming sector.

Finally and most importantly, technology and market changes have shifted economic opportunities off of farms and into the agricultural input and post-harvest sectors. As research was focused on developing technologies that use ever greater levels of capital to enable fewer people to produce the Nation's food, income and opportunities shifted from farms to the companies that produce and sell inputs to farmers. As farmers focused on producing undifferentiated raw commodities, food system profit and opportunities were shifted to the companies that process, package, and market food. Consequently, from 1910 to 1990 the share of the agricultural economy received by farmers dropped from 21 percent to 5 percent. The combination of increased concentration among food processing companies, loss of

competitive markets, and reduction of price stabilizing tools of government will place farmers in increasingly vulnerable situations. Farmers will find themselves with less and less control over their economic security.

North Carolina has historically had a very large number of small farms. Many of them have been successful and survived because of their reliance on both flue cured and burley tobacco. As demographics have changed, as farm programs have changed, as public sentiments toward certain types of farms or farm products have changed and as agriculture has become more globally driven, it has become harder and harder for them to survive.

## Guiding Principles for Federal Farm Policy

The Time to Act report recommends that farm policy decisions adhere to the following guiding principles for affecting the structure of the U.S. agricultural system:

- **Safe and healthy food** - Farm policy should encourage farming systems that produce safe, healthy, and diverse food.
- **Relationships between farmers and consumers** - Farm and food policy should create greater opportunities to connect farmers with consumers directly to enable farmers to respond to changes in consumer demand and stimulate increased interest in agriculture among consumers.
- **Community** - Farm policy should support an agriculture that sustains and strengthens rural communities and celebrates cultural diversity and a traditional way of life.
- **Stewardship of natural resources** - Farm policy should give incentives to reward responsible stewardship and care of the land, water, and air.
- **Safe, responsible conditions for farmers and their workers** - Farm policy should enable farmers and their workers to work in safe and responsible working environments.
- **Fair and open markets** - Public policy should result in vigorous competition in open markets that are fair to producers of all sizes and devoid of price discrimination. It should strive to create a diversity of markets for a diversity of unique products, producers, and consumers.
- **Provide opportunity for many** - U.S. agricultural policy should open opportunity for more American people to own and operate farms as a livelihood. It should enable people who want to farm to gain access to land and other productive assets whether by lease or purchase. A person's options and abilities to participate in farm ownership or operation should not be compromised or abrogated on account of their ethnicity, gender, or other non-merit related, demographic characteristics.
- **Farm Income** - Farm policy should enhance opportunities for people to generate farm incomes comparable to other economic sectors. That must involve efforts to reverse the long-term trend toward a declining share of food system income accruing to farmers and ranchers, in relation to the input and post-harvest sectors.

## Program resources

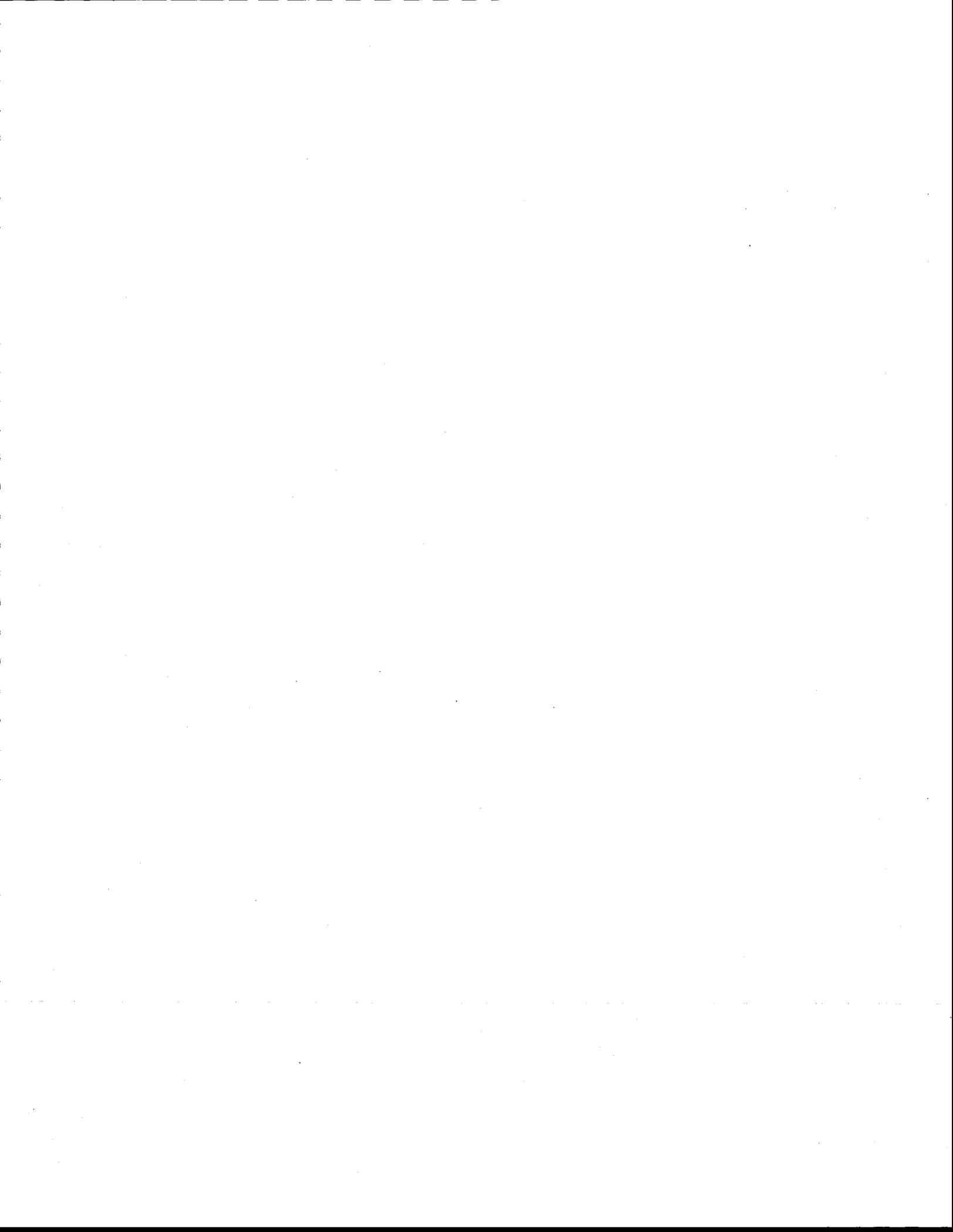
To meet the emerging research and educational needs of small farmers will require pooling and collaboration of resources, both financial and human, within the land grant system in our state. North Carolina State University (NCSU), North Carolina State A&T State University (NCA&T) and North Carolina Department of Agriculture and Consumer Services (NCDA&CS) are working together at the Center of Environmental Farming Systems in Goldsboro to develop agricultural production practices that are economically and environmentally sustainable, most of which will be applicable to small farms. Also, the Specialty Crops Program, a collaboration between NCSU, NCDA&CS and Lenior County Cooperative Extension, is introducing specialty crops for niche markets by determining best cultural practices and establishing marketing channels concurrently for crops like lettuce, melons, peaches, herbs, tomatoes, watermelons, etc. This Program is specifically designed to facilitate the availability of high value crops for small farms to provide profitability with low acreage.

Essential to providing the support for small farms is the unified Cooperative Extension Program, involving NCSU and NCA&T in partnership with county government, that serves the citizens of North Carolina. This collaboration is the most likely source of information and education to assist small farmers in their efforts to remain viable as farming units, farming families and as contributors to the local community and society.

## References

A Time to Act. A Report of the USDA National Commission on Small Farms. 1998. USDA Miscellaneous Publication 1545. (enclosed)

1997 Census of Agriculture. North Carolina State and County Data. USDA-NASS Volume 1, Geographic Area Series. Part 33. AC97-A-33. (selected sections enclosed)



**Recommendations to the N.C. Small Farm Commission**  
**Betty Bailey, RAFI-USA**  
**February 22, 2000**

**Enterprise Cost-Share program:**

Establish a cost-share granting program to support on-farm and community-based agricultural enterprise development. Target support to those enterprises which add value to agricultural products at the farm and community level. Make grants available to individual producers and for community projects. Provide technical support in business development, marketing, production and processing to grantees. Use a process that is accessible to farmers, has direct delivery with as few bureaucratic layers as possible and has transparent decision-making criteria. Target cost-share grants to modest sized farms and to cooperative community efforts.

RAFI-USA has operated a pilot Tobacco Communities Reinvestment Fund for the last three years. The Reinvestment Fund currently supports 17 demonstration projects in 6 major tobacco producing counties.

**Value-Added Agricultural Enterprise Incubator**

Create an agricultural enterprise incubator similar to the technology incubators now in existence. The incubator would provide "one stop shopping" to farmers and community groups who are developing value-added marketing and processing businesses for agricultural products. The incubator would provide mentor relationships for new entrepreneurs. The program would identify and recruit a stable of resource people who could serve as mentors, integrate services and information for agricultural entrepreneurial development, link to associated services within and outside the state, and provide a training and support program for entrepreneurs.

Focus on those enterprises which can help North Carolina's small farmers and communities keep a greater share of the food dollar.

**Value-Added Processing**

Support facilities within rural communities which use products from local farms and add-value by further processing, labeling, packaging and distributing these products. Support processing facilities which convert existing facilities such as tobacco warehouses or empty manufacturing facilities for new uses.

Seize opportunities in processing and marketing for "green consumers" by, for example, producing and labeling food products grown with certain stewardship practices and utilizing local resources in a way that sustains that resource over generations.

Give priority to processing operations which increase the value of farm products at the farm and community level.

### **On-Farm Production Research**

Support on-farm research to develop production methods which can reduce farmer and environmental costs. Support on-farm research programs which place farmers at the center of problem solving along with a team of agricultural advisors, university researchers, and agricultural non-profits.

RAFI-USA has a model program, the Peanut Project, which reduced farmer costs by an average \$100/acre, maintained yields, and reduced active pesticide ingredient by 208,000 pounds on 8,000 acres.

### **Contract Reform**

The number of farms operating under contracts with very large processors increases daily. The contracts are often lopsided arrangements between the large processors and small individual farmers. To increase income for farmers and communities where these contract arrangements exist, steps should be taken to make the contract arrangements more fair.

North Carolina has a strong history of farmer cooperatives including the Tobacco Stabilization, Burley Tobacco and Peanut Grower cooperatives. North Carolina could reform its contract agriculture laws so that voluntary cooperative associations can make contract agreements on behalf of their farmer members.

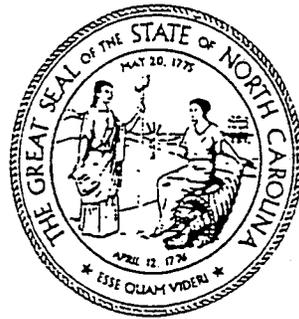
California and Michigan have effective contract bargaining laws. Five other states have contract fairness laws. At least three other states are now considering contract bargaining laws. Two federal initiatives have been introduced. One, the Family Farmer Cooperative Marketing Amendment, would amend the Agricultural Fair Practices Act to provide contract bargaining rights for farmer cooperatives.

### **Farmland Preservation Programs**

A variety of farmland preservation tools exist. Some have proven effective in helping farms remain viable while dealing with the pressures of development, the "aging out" of senior farm operators, estate planning needs and the lack of opportunities for under capitalized new farmers.

The North Carolina Conservation Trust in collaboration with NCDA and others, has a record of success in using farmland conservation tools to preserve working farms, retire farm debt, allow farmers to pass on equity to children and protect the land for future use.

NORTH CAROLINA  
RURAL PROSPERITY TASK FORCE



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RECOMMENDATIONS SUMMARY

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FEBRUARY 21, 2000

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#### IV. AGRICULTURE

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North Carolina's farmers produce food, fiber, jobs and tax revenue. As people change what they consume and agriculture faces new challenges from the world commodity market, we need to make sure North Carolina farmers have the tools they need to compete in the 21<sup>st</sup> century.

*Goal: Ensure that North Carolina farmers, agribusiness leaders, researchers and other interested parties are working together to shape the future of agriculture in our state.*

1. Create the Agricultural Advancement Consortium, which would bring together a coalition of experts and interested parties, including farm organizations, universities, the North Carolina Department of Agriculture, N. C. Cooperative Extension, State Ports and others to research trends and identify and promote opportunities to improve the state's economic development through farming and agriculture interests.
  - ❖ *Cost and payfor:* \$250,000 annually for the first two years to pay for staff, research, meeting costs, and other operating expenses, and \$500,000 for years three through five, to be funded through Golden L.E.A.F. Foundation or other private sources.
  - ❖ *Timeline:* Startup within 90 days of funding.
  - ❖ *Responsible:* Consortium would be independent, but directed and staffed through N.C. Rural Economic Development Center.

*Goal: Develop profitable new markets and reinvigorate existing markets for North Carolina agricultural and biotechnology products.*

2. Expand state funding available to promote North Carolina agricultural and biotechnology products. These funds could be leveraged to encourage agricultural suppliers to begin or expand existing efforts, and could include hosting international trade shows, creating new markets for existing products, and providing potential markets with scientifically-based research to address concerns about tobacco, pork, beef and various transgenic crops and products.
  - ❖ *Cost and payfor:* \$6 million annually; part of funding from reallocating existing NCDA funds; part through product checkoff funds, through the Golden L.E.A.F. foundation or other sources.
  - ❖ *Timeline:* 3-6 months after funding.
  - ❖ *Responsibility:* N.C. Department of Agriculture.
3. Expand marketing of North Carolina horticultural products, enabling full utilization of farmland and farm structures as tobacco quotas fall, and replacement of some of the lost income.

- ❖ Cost and payfor: \$1 million annually to enhance existing checkoff funds; funding to come through the Golden L. E. A. F. foundation or other sources.
  - ❖ Timeline: 6 months after funding.
  - ❖ Responsibility: N.C. Department of Agriculture.
4. Increase e-marketing and e-commerce involving North Carolina agricultural products, boosting the presence of North Carolina products and services on the Internet. The effort would enable farmers, groups of farmers, dealers, gins, packers, warehouses and other agricultural businesses to engage in business to consumer and business to business marketing efforts using the Internet.
- ❖ Cost and payfor: \$1 million annually; apply for funding through the Golden L. E. A. F. foundation or other sources.
  - ❖ Timeline: One year initial project, with continuing updates.
  - ❖ Responsibility: N.C. Department of Agriculture.
5. Lobby the World Trade Organization and others to continue work to ensure equitable access to world markets, particularly U.S. access to China's tobacco market.
- ❖ Cost and payfor: No cost.
  - ❖ Timeline: Begin efforts immediately.
  - ❖ Responsibility: Task Force members.

Goal: Help North Carolina farmers to retain a greater amount of the total cost of agricultural products by expanding the number of facilities we have to improve and process products.

6. Encourage the Rural Redevelopment Authority to actively seek out and fund proposals supporting on-farm and community-based agricultural enterprises, including independent animal-processing facilities and other value-added processing facilities, including biopharmaceuticals.
- ❖ Cost and payfor: Funding would vary year to year based on proposals presented to Rural Redevelopment Authority.
  - ❖ Timeline: Upon establishment of Rural Redevelopment Authority.
  - ❖ Responsibility: N.C. Department of Commerce, N.C. Department of Agriculture; Rural Advancement Foundation International.
7. Provide additional funding for research into value-adding genetic changes of crops, including tobacco, to produce industrial enzymes, pharmaceutical proteins, vaccines, new forest products and other products.
- ❖ Cost and payfor: \$3 million annually for five years; funding to come through General Fund.
  - ❖ Timeline: Research should begin within 90 days of approval of funding.
  - ❖ Responsibility: N.C. Biotechnology Center; UNC System.

*Goal: Determine new products North Carolina farmers could profitably produce to allow small farmers to remain in agriculture.*

8. Boost efforts to identify new high-value farm products such as herbs, fruits, vegetables and other specialty items, educate farmers in production techniques and marketing strategies and help in development of markets.
  - ❖ Cost and payfor: \$1 million annually for five years; funding to come through General Fund.
  - ❖ Timeline: One year to launch program.
  - ❖ Responsibility: N.C. Biotechnology Center; UNC System.
  
9. Identify and encourage production of plants shown to promote good health, prevent disease or provide other medicinal assistance, known as nutraceuticals. These products typically represent niche markets, but can be highly profitable in small quantities.
  - ❖ Cost and payfor: \$2 million annually; funding to come through General Fund.
  - ❖ Timeline: Research should begin within 90 days of approval of funding.
  - ❖ Responsibility: UNC System research universities; N.C. Department of Commerce.

**NORTH CAROLINA FARMLAND PRESERVATION DEMONSTRATION PROJECT  
GRANTS AWARDED FROM NC FARMLAND PRESERVATION TRUST FUND  
1999 and 2000**

The NC Farmland Preservation Program was established in late 1998 through special appropriations from the State General Assembly to the NC Department of Agriculture under provisions of the Farmland Preservation Trust Fund enabling statute of 1986. Special appropriations to the program were made by the General Assembly: \$250,000 for FY 1998-99 and \$500,000 for FY 1999-2000. The appropriations were used for grants to qualified local governments and non-profit land trusts for acquisition of agricultural conservation easements and for program development, education and promotion, administration. The Department of Agriculture contracted the non-profit Conservation Trust for North Carolina to administer the pilot project.

**Program Results to Date**

Total Grants Awarded: \$612,500 [6 grants for transactional costs for donated agricultural conservation easements; 6 grants for portion of appraised value of sale or partial donation of non-farm development rights—supplementing other local or private funds]

Farms Protected: 12

Acres Protected: 1,981

**Farmland Protection Grants Awarded in 1999**

Grantee	Grant	Farm	County	Easement Size
1. LandTrust for Central NC	\$ 15,518	Daltonia	Iredell	198 of 615 ac. and bequested easement donated over remainder
2. LandTrust for Central NC	\$ 50,390	Karriker Farm	Rowan	81 of 400 ac.
3. Blue Ridge Rural LT/SAHC	\$ 10,500	Richardson	Alleghany	298 ac
4. Piedmont Land Conservancy	\$ 67,000	Newlin-Hickory Grove Dairy	Alamance/ Chatham	122 of 160 ac.
5. Forsyth County SWCD*	\$ 44,092	Blackburn	Forsyth	59 ac.
			1999	758 acres total

**Farmland Protection Grants Awarded in 2000**

Grantee	Grant	Farm	County	Easement Size
6. LandTrust for Central NC	\$150,000	Green Farm	Cabarrus	317 acres
7. Forsyth County SWCD*	\$123,000	Preston Farms	Forsyth	66 of 200 ac.
8. Foothills Conservancy	\$102,000	Bovender Farm	Rutherford	304 of 935 ac.
9. Wake County SWCD*	\$ 6,000	Theys Farm	Wake	92 of 100 ac.
10-12. Piedmont Land Conserv.	\$ 44,000	Liberty Farms (3)	Randolph and Chatham	444 of 458 ac.

\* Soil and Water Conservation District 2000 1223 acres total



***Proposals Offered  
to the Small Family Farm Preservation Commission  
(as of 3/14/2000)***

The following is a summary of proposals received so far by the Small Family Farm Preservation Commission. It includes both formal written proposals that have been submitted and ideas that have emerged in the course of Commission discussions. These are categorized and labeled according to the way in which they seek to address the difficulties currently facing small farms. This is a work in progress and is intended to be a guide for discussing and evaluating the ideas that have already been presented, as well as a tool for identifying needs that have not yet been addressed.

Proposal Categories:

- *Increase Income – Alternative Crops and Production Methods*
- *Increase Income – Enhance Market Access and Market Opportunities*
- *Increase Income – Increase Farmers' Leverage in the Market*
- *Increase Income – Provide Subsidies*
- *Increase Income – Support Value-added Enterprises*
- *Reduce Costs – Production*
- *Reduce Costs – Taxes*
- *Make Agricultural Research and Extension More Useful for Small Farmers*
- *Reduce Barriers to Entry for New Farmers*
- *Reduce Pressures to Sell*
- *Stimulate Rural Economic Development -Generally*

***Increase Income – Alternative Crops and Production Methods***

- **Stimulate Forestry/ Wood Products:** Develop a comprehensive strategy to stimulate the adoption of tree planting and management of existing woodlots on privately owned small farms to meet domestic and international wood needs. This strategy should include payment of up to 75% of the cost of establishing and managing trees, as well as an annual subsidy for at least 10 years for planted trees. The strategy should also include the development and imposition of forestry management practices that enhance soil conservation and improve water quality. – Archie Hart, NC Department of Agriculture and Consumer Services
- **Genetic Research:** Increase funding for research into value-added genetic changes of crops, including tobacco, to produce industrial enzymes, pharmaceutical proteins, vaccines, new forest products, and other products. – Rural Prosperity Task Force
- **Identify New Products:** Boost efforts to identify new high-value farm products such as herbs, fruits, vegetables, and other specialty items, educate farmers in production techniques and marketing strategies and help in development of markets. Cost \$1 million/year for 5 years from General Fund. – Rural Prosperity Task Force
- **Identify Nutraceuticals:** Identify and encourage production of plants shown to promote good health, prevent disease, or provide other medicinal assistance, known as nutraceuticals. Cost \$2 million/ year; fund through General Fund. – Rural Prosperity Task Force

### ***Increase Income – Enhance Market Access and Market Opportunities***

- **Expand Funding for Marketing NC Ag and Biotech:** Expand state funding to promote NC agricultural and biotechnology products. The Funds could be leveraged to encourage agricultural suppliers to begin or expand existing efforts, and could include hosting international trade shows, creating new markets for existing products, and providing potential markets with scientifically-based research to address concerns about tobacco, pork, beef, and various transgenic crops and products. Would cost \$6 million/ year, from existing NCDA funds, through product checkoff funds, Golden LEAF, or other sources. – Rural Prosperity Task Force
- **Expand Marketing of Horticultural Products:** Expand marketing of North Carolina horticultural products, enabling full utilization of farmland and farm structures as tobacco quotas fall, and replacement of some of the lost income. Cost \$1 million/ year to enhance existing checkoff funds; funding from Golden LEAF or other sources. –Rural Prosperity Task Force
- **Internet Marketing:** Increase e-marketing and e-commerce involving North Carolina agricultural products, boosting the presence of North Carolina products and services on the internet. Would cost \$1 million/ year, fund through Golden LEAF or other sources. –Rural Prosperity Task Force
- **Open Global Markets:** Lobby the World Trade Organization and others to continue to work to ensure equitable access to world markets, particularly US access to China's tobacco market. – Rural Prosperity Task Force
- **Farmers Market Space for Plant, Wholesale, and Organic Vendors:** Construct a plant dealers building, wholesale shed, and organic farmers dealers building at the Raleigh State Farmers Market. The buildings would add 32,850 square feet of sheltered space for growers to sell their products. The project cost estimate of \$1,319,975 includes funds for site development, design, and building construction.  
- Raleigh State Farmers Market, NC Department of Agriculture and Consumer Services

### ***Increase Income – Increase Farmers' Leverage in the Market***

- **Contract Terms:** Address terms of contracts between growers and integrators to provide more security for growers. –1/10/2000 and 2/22/2000 meetings.
- **Cooperative Negotiation of Contracts:** North Carolina has a strong history of farmer cooperatives including the Tobacco Stabilization, Burley Tobacco, and Peanut Grower Cooperatives. North Carolina could reform its contract agriculture laws so that voluntary cooperative associations could make contract agreements on behalf of their farmer members. California and Michigan have already done this, and five other states have contract fairness laws. – Rural Advancement Foundation International (RAFI-USA)
- **Marketing Cooperatives:** Enhance opportunities for marketing cooperatives.  
- 1/10/2000 meeting.

### ***Increase Income – Provide Subsidies***

- **Farmer Support:** Fund programs to support farmers, like the Federal Farm Program formerly did. - Robert Caldwell, NC State Grange

### ***Increase Income – Support Value-added Enterprises***

- **Agricultural Enterprise Cost-Share Program:** Establish a cost-share grant program to support on-farm and community-based agricultural enterprise development. Target support to those enterprises that add value to agricultural products at the farm and community level. Make grants available to individual producers and for community projects. Provide technical support in business development, marketing, production and processing to grantees. Use a process that is accessible to farmers, has direct delivery with as few bureaucratic layers as possible, and has transparent decision-making criteria. Target cost-share grants to modest sized farms and cooperative community efforts. – Rural Advancement Foundation International (RAFI-USA)
- **Value-Added Agricultural Enterprise Incubator:** Create an agricultural enterprise incubator similar to the technology incubators now in existence. The incubator would provide “one-stop shopping” to farmers and community groups who are developing value-added marketing and processing businesses for agricultural products. The incubator would provide mentor relationships for new entrepreneurs. The program would identify and recruit a stable of resource people who could serve as mentors, integrate services and information for agricultural entrepreneurial development, link to associated services within and outside the state, and provide a training and support program for entrepreneurs. Focus would be on enterprises that would help small farmers and communities keep a greater share of the food dollar. – Rural Advancement Foundation International (RAFI-USA)
- **Value-Added Processing:** Support facilities within rural communities which use products from local farms and add value by further processing, labeling, packaging and distributing these products. Support processing facilities which convert existing facilities such as tobacco warehouses or empty manufacturing facilities for new uses. – Rural Advancement Foundation International (RAFI-USA)
- **Rural Redevelopment Authority:** Encourage Rural Redevelopment Authority to seek out and fund proposals supporting on-farm and community-based agricultural enterprises, including independent animal processing facilities and other value-added processing facilities, including biopharmaceuticals. – Rural Prosperity Task Force
- **Green Labeling:** Seize opportunities in processing and marketing for “green consumers” by, for example, producing and labeling food products grown with certain stewardship practices and utilizing local resources in a way that sustains that resources over generations. –Rural Advancement Foundation International (RAFI-USA)

### ***Reduce Costs – Production***

- **Producer Cooperatives:** Encourage the development of cooperatives to provide new equipment to small farmers through joint ownership arrangements that cut operating costs. - Robert Caldwell, NC State Grange
- **Improve Financing:** Improve access to and terms of financing for farming.  
– 1/10/2000 and 2/22/2000 meetings.

### ***Reduce Costs – Taxes***

- **Exempt Farmer-Farmer Land Sales from Roll-Back Taxes:** Exempt land sales from roll-back taxes when a farmer is selling a farm to another person who will keep the property in production agriculture for a certain period of time (10-15 years). In the event the purchaser fails to keep the property in production agriculture for the specified period of time, the purchaser would be responsible for additional roll-back taxes (perhaps the current year and 5 years instead of 3 years). –NC Farm Bureau
- **Use-Value Taxation:** Expand/ adjust the use-value taxation system. – 1/10/2000 meeting.
- **Income Tax Credit for Property Taxes:** Adjust the state income tax laws to provide that a farmer who pays county property taxes on a bona fide farm that qualifies for present use value treatment will get what amounts to a state tax credit for those property taxes. – NC Farm Bureau
- **Property Tax Relief:** Provide property tax relief to farmers in a way that will not cut county revenues. - Robert Caldwell, NC State Grange
- **Open Space Tax Credits:** Provide tax credits for open space. – 1/10/2000 meeting.
- **Environmental Tax Credits:** Tax credits to reflect the value of actions farmers take to comply with environmental regulations (“unfunded mandates”) that benefit the State as a whole. – Robert Caldwell, NC State Grange
- **Investment Tax Credit:** Provide a tax credit for investments in cooperative value-added agricultural enterprises. –Archie Hart, NC Department of Agriculture and Consumer Services

### ***Make Agricultural Research and Extension More Useful for Small Farmers***

- **Research “Smaller is Better” Production Systems:** Increase research into agricultural production systems in which smaller farms potentially have the advantage over larger farms, including certain specialty crops, alternative production strategies, and alternative marketing strategies. – 1/10/2000 meeting.
- **Outreach Targeting Small Farmers:** Increase outreach specifically directed at small farmers, including support for farmers in improving production techniques, how to switch to more lucrative crops, and improving business management and marketing skills. –1/10/2000 meeting.
- **On-Farm Production Research:** Support on-farm research to develop production methods which can reduce farmer and environmental costs. Support on-farm research programs which place farmers at the center of the problem solving, along with a team of agricultural advisors, university researchers, and agricultural non-profits. – Rural Advancement Foundation International (RAFI-USA)
- **Agricultural Advancement Consortium:** Create the Agricultural Advancement Consortium, which would bring together experts and interested parties, including farm organizations, NC Cooperative Extension, State Ports, and others to research trends and identify and promote opportunities to improve the state’s economic development through farming and agricultural interests. Cost would be \$250,000/ year + \$500,000 years 3-5, funded by Golden LEAF Foundation or other private sources. Consortium would be directed and staffed through the Rural Economic Development Center. – Rural Prosperity Task Force.
- **Small Farm Center:** Create a small farm center that consolidates information and expertise on all resources available to assist small farmers with production methods, decisions about what to grow, maximizing investments, and accessing markets.  
- Archie Hart, NC Department of Agriculture and Consumer Services
- **Increase Extension Effort:** Provide more extension agents for one-on-one interaction with farmers to explain new information and do holistic on-farm trouble-shooting. –Archie Hart, NC Department of Agriculture and Consumer Services.

### ***Reduce Barriers to Entry for New Farmers***

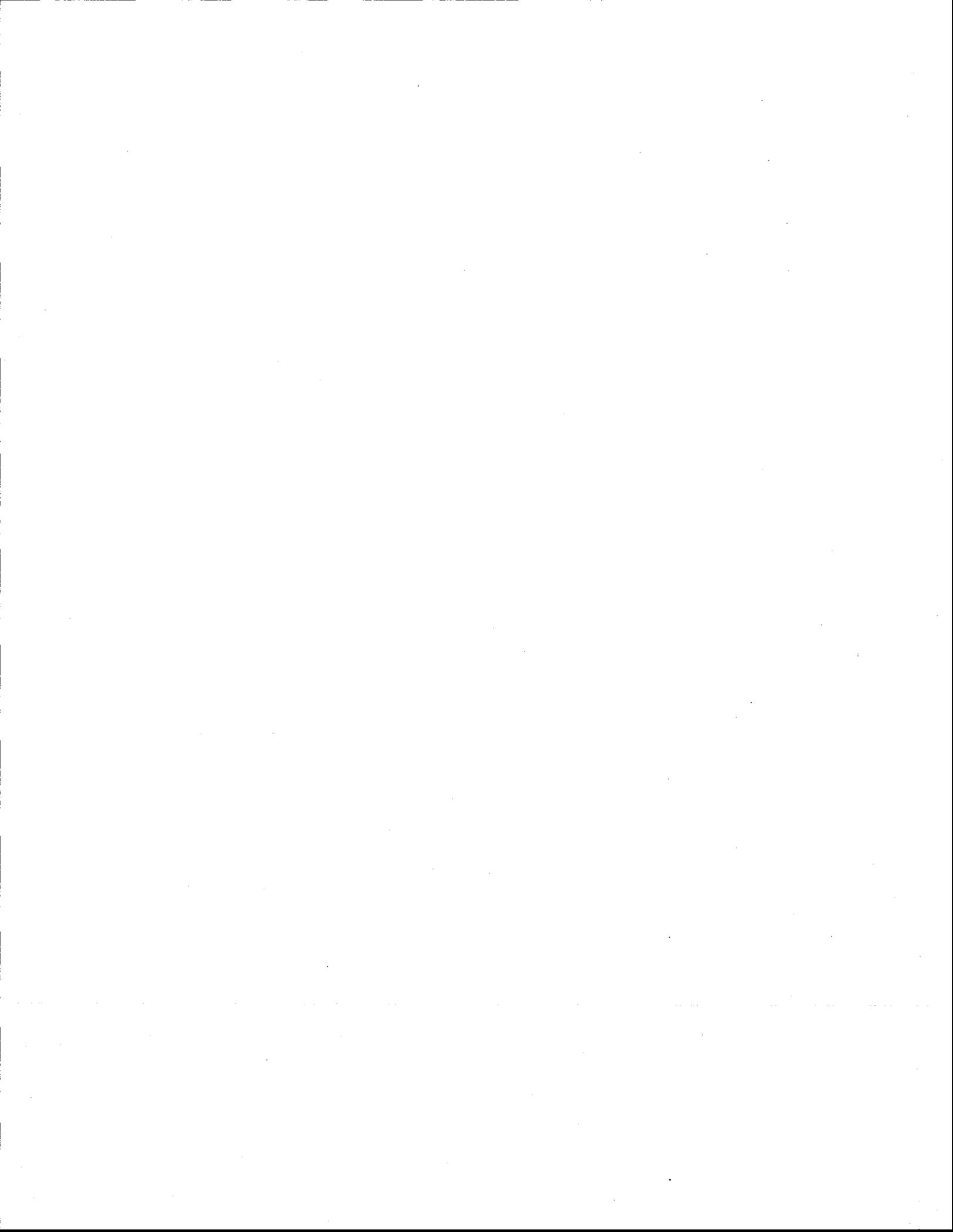
- **Beginning Farmer Programs:** Institute beginning farmer programs.  
– 1/10/2000 meeting.

### ***Reduce Pressures to Sell***

- **Support Farmland Preservation Programs:** A variety of farmland preservation tools exist. Some have proven effective in helping farms remain viable while dealing with the pressures of development, the “aging out” of senior farm operators, estate planning needs, and the lack of opportunities for under capitalized new farmers. The North Carolina Conservation Trust, in collaboration with NCDA and others, has a record of success in using farmland conservation tools to preserve working farms, retire farm debt, allow farmers to pass on equity to children, and protect the land for future use. – Rural Advancement Foundation International (RAFI-USA)
- **Land-use Planning:** Implement land-use planning to reduce development pressures. –from 1/10/2000 meeting
- **Inheritance Tax:** Address inheritance tax issues. – 1/10/2000 and 2/22/2000 meetings

### ***Stimulate Rural Economic Development -Generally***

- **Incentives for Industry:** Department of Commerce incentives for industry to grow in rural areas. - Robert Caldwell, NC State Grange
- **Job Training:** Community College programs to prepare workers for new, high-tech jobs. - Robert Caldwell, NC State Grange



**Recommendations for the  
Small Family Farm Preservation Commission  
submitted by  
Environmental Defense and Southern Environmental Law Center**

The Small Family Farm Preservation Commission is examining an issue of significance to all North Carolinians - the loss of our small family farms and rural landscapes. The changing economic demands of the 21<sup>st</sup> century market are making it difficult for the traditional small farmer to remain a viable enterprise without a change in state policies to protect and promote small family farmers and rural communities.

The following items represent some concepts that we would ask the Small Family Farm Preservation Commission to consider for legislative action. These recommendations were prepared with input from the Conservation Council of North Carolina and the North Carolina Sierra Club.

**Contract Reforms**

More and more agricultural commodities are produced under contract. Contract farming is often unfair as most of the profits accrue to the company or processor while the contract farmer holds most of the investment. Contract farmers are also required in their agreements to indemnify or hold harmless the company (integrator) from economic costs and environmental liabilities. Contract negotiation laws are needed in North Carolina that would allow farms to let cooperatives bargain with processors on their behalf. This would increase income opportunities for North Carolina's small family farmers and the rural communities where they are based.

There are two bills pending in Congress that would also strengthen contract growers bargaining power. The commission could sign a resolution of support for these bills. The first bill is an amendment to the Agricultural Fair Practices Act, which would empower producers in their dealings with processors by granting bargaining rights to volunteer farmer cooperatives. The second is an amendment to the Packers and Stockyards Act, which would extend enforcement coverage, which applies to all other livestock producers, to poultry growers.

Integrator liability laws are also needed. The companies (integrators) exercise substantial management control over many contract pork and poultry growers and producers of genetically engineered crops. Under these arrangements contract growers are under pressure to focus solely on production, and are often reluctant to turn their attention to improving waste management practices or taking extra measures to protect the natural resources on their farm. Integrator liability would address this problem by making owners of livestock raised under contracts liable for civil penalties assessed against an operator for environmental violations. Such violations should include violations of permits, waste management plans and any other environmental law or rule) and make livestock owners responsible for any remediation, clean up and/or closure requirements associated with such violations.

Significant portions of small farmers in North Carolina are people of color. These communities have faced discrimination in the past, and there is concern that this continues today. Solutions

that the Commission considers must take into account the additional problems that face these individuals, and provide appropriate remedies.

### **Expand Market Opportunities**

The Small Family Farm Preservation Commission should seek to increase local market opportunities for small family farmers. The North Carolina Department of Agriculture and Consumer Services already has a program in this area, but it must be enhanced with additional resources and direction to provide additional opportunities for small farmers. The expanded use of marketing contracts has meant fewer commodities are sold on the spot markets making it difficult for small independent farmers to know the market price and to compete. There should be mandatory price reporting for all commodities sold under marketing contracts in order to alleviate this problem.

An important component of sustaining small farms is to view them as an important part of the local economy. The use of agricultural economic development plans can help institutionalize this change. Such a plan could include provisions for the development of local processors supported by independent farmers. Bringing this type of development to rural communities increases income opportunities for small farmers and the rural communities where they are based.

### **Farmland Preservation**

A final recommendation is to provide opportunities to farmers to help them keep their farms in production rather than bowing out to development pressures. A way to do this is through the Farmland Preservation Trust. Funding for the Farmland Preservation Trust Fund needs to be increased. In the 1999 Session, \$500,000 was allocated to the Trust Fund. While an important start, far greater funding is required to have a significant impact. A modest effort to increase incentives for local farmland preservation is HB 1132, by Rep. Insko, that currently sits in the Senate Committee on Agriculture, Environment, and Natural Resources.

# **Mountain Partners in Agriculture**

## **Appalachian Sustainable Agriculture Project:**

### *Toward A Regional Sustainable Agriculture System*

#### **Context**

For the past four years Mountain Partners in Agriculture, as part of the North Carolina Partners in Agriculture project, has focused on developing a community-based approach to a regional sustainable agriculture and food system.

North Carolina Partners in Agriculture was one of eighteen projects across United States supported by the W.K. Kellogg Foundation's Integrated Food and Farming Systems initiative. The major participants in Partners in Agriculture included: North Carolina State University, North Carolina A&T University, Land Loss Prevention Project, Carolina Farm Stewardship Association, Rural Southern Voice for Peace, Rural Advancement Foundation International, and the North Carolina Coalition of Farm and Rural Families.

#### **Appalachian Sustainable Agriculture Project**

On October 1, 1999 the **Appalachian Sustainable Agriculture Project – ASAP** was launched. This two-year initiative will examine the current food production and distribution system, and will take a proactive approach to developing and implementing policies and programs that will help create a regional community-based sustainable agriculture and food system.

The ASAP initiative is funded and supported by the US Environmental Protection Agency's Sustainable Development Challenge Grants program, the North Carolina Rural Center, the Henry A. Wallace Institute, Partners in Agriculture, and Asheville-Buncombe Technical Community College.

These direct grants will enable Mountain Partners in Agriculture to expand its programs of farmland preservation, sustainable production systems, and marketing and educational efforts. Current program support is \$225,000.

**1) Farmland Protection** - research, develop, and demonstrate methods of retaining productive farmland threatened by sprawl and scattered rural growth;

- The ASAP initiative is examining the problem of farmland loss and will develop policies and programs to address the problem. Mountain Partners in Agriculture in collaboration with the Mountain Valleys Resource Conservation Development Council and numerous supporting agencies and organizations provided a forum for farmland preservation issues and practical techniques during the first western North Carolina conference on farmland preservation held in October of 1999.
- We have produced and will update a regional guide booklet on farmland preservation techniques and methods.
- We are working toward the establishment of a land-link program whereby existing farmers who are exiting farming operations can be connected with emerging farmers looking for land and farming opportunities.

**2) Sustainable Production Systems** - develop high-value crops, value-added commodities, sustainable production systems and focused education, training, and mentoring programs.

- Building on the success of our pilot transition program, we are currently providing direct financial and technical support to 18 area farmers who are transitioning to sustainable and organic operations. Burley tobacco farmers and apple producers are participating in this program
- We are providing direct support for four demonstration farms for on-farm research and dissemination of sustainable agriculture practices.
- We are providing education and training opportunities for new and transitioning farmers. MPIA has initiated and developed the "Sustainable Mountain Farming Program". This program is being offered through Asheville-Buncombe Technical Community College. The experience from this initiative will help develop appropriate sustainable farming programs at other community colleges in the region. These efforts are being coordinated with local high school agriculture education programs, the NC Cooperative Extension Service, Carolina Farm Stewardship Association and the USDA Natural Resource Conservation Service.

**3) Marketing Promotion** - provide direct marketing opportunities through the promotion of existing markets and establishment of new marketing opportunities and cooperative ventures;

- We will expand and strengthen existing regional market structures including:  
*Carolina Organic Growers Marketing Cooperative (COG)*. Based in Asheville, Carolina Organic Growers is a marketing cooperative owned by a third of the certified organic growers in North Carolina. COG has been instrumental in the success of MIA's sustainable transition program by providing steady and expanding market opportunities for new growers. In addition, members have played a key role in providing technical assistance and mentoring new growers. Two of the MPIA producers became primary contributors to COG commodity offerings and have recently joined the COG Board. Our project will continue to support COG through the funding of critical needs relating to new member recruitment/training and market expansion.

*Carolina Natural Beef Marketing Cooperative (CNB)*. Carolina Natural Beef is a producer-owned marketing cooperative that was formed through MPIA organizational and financial support. CNB has had a successful first two-years. Support to CNB will continue through our project and will provide for critical marketing efforts and a customer newsletter. Our project will also support CNB's long-range goals of including other producers as the market demand grows, initiating collaborative regional marketing strategies, and expanding product variety.

- ASAP is assisting in the development of county-scale farmers markets in Madison and Henderson Counties. Our project will utilize successful regional approaches and local NC Cooperative Extension Service support.
- ASAP is developing a "buy locally produced farm commodities" campaign for our project area with a focus on penetrating local institutional and retail markets.
- ASAP will link current MPIA initiatives to local and regional economic development efforts, banking and financial credit, and to the CFSA organic marketing survey.

**4) Policy Development** - create policies supportive of sustainable farming practices, community-based marketing programs, and farmland protection initiatives.

MPIA has organized and initiated a community-based process for developing appropriate policy initiatives that will eliminate barriers too, and create opportunities for, sustainable agriculture. This effort will be integrated into policy work occurring in our tri-county area. This work is being coordinated by MPIA and is supported by the Henry A. Wallace Institute's Sustainable Agriculture Policy project funded by the W. K. Kellogg Foundation. Work on this four-year initiative started last year.

The need for policies and action related to the practice of consuming locally produced food was the crosscutting action resulting from the October Visioning Session and follow-up dialogues. Each of the three issue groups: farmland preservation, local marketing, and community farming in transition, identified and addressed the need to support local farming by consuming food that is produced in the community and region. While there will be specific policy development actions related to each of the three issues, the overall and unifying action will concentrate on penetrating and expanding local market opportunities. Linking local producers and consumers will form the foundation of our overall policy development strategy and our "*buy local*" public awareness/action campaign.

## **Project Background**

The agricultural issues and sustainable development challenges facing the project focus area of Madison, Buncombe, and Henderson Counties in the mountains of Western North Carolina are reflective of concerns of rural residents and farmers in most Southern Appalachian counties.

Three main issues resulted from the MPIA/ Rural Southern Voice for Peace Listening Project™ interview survey conducted during late 1995 and early 1996. The most significant issue, according to the farmers and community residents interviewed, is the *increased pressure on farms and farmland* from the cyclic effects of sprawl and increased taxes and the *need for an effective program of farmland protection and conservation*. Recognizing the uncertain future of Burley tobacco production, local farmers expressed concern over - *finding alternative cash crops and increasing farm profitability*. And finally, *the need for adding value to farm commodities and particularly the notion of developing specialized markets* was voiced by farmers. These problems are clearly interrelated. Reduced production profitability heightens the effect of increased taxes and development pressures. The lack of adequate markets curtails the implementation of alternative crop production. These issues were further explored during numerous community meetings held during the winter of 1996/97. As a result of the initial survey response and continued community discussion and dialogue, the following four main goals evolved to address the problems:

- 1) **Farmland Protection** - research, develop, and demonstrate methods of retaining productive farmland threatened by sprawl and scattered rural growth;
- 2) **Sustainable Production** - develop high-value crops, value-added commodities, sustainable production systems, and focused educational and training opportunities;
- 3) **Promotion - Marketing and Education** - provide producer access to direct marketing opportunities through promoting existing and establishing new marketing opportunities and cooperative ventures and provide for educational opportunities;
- 4) **Policy Development** - create policies supportive of sustainable farming practices, community-based marketing programs, and farmland protection initiatives.

All four goals are critical to addressing the problems and form the foundation of a comprehensive and integrated approach. The combined effects of increasing protection and profitability, and implementing sustainable development policies, will help turn the tide of the erosion of the rural community social, economic and environmental fabric.

## **Mountain Partners in Agriculture**

**Mountain Partners in Agriculture** is a Western North Carolina community-based collaborative focused on sustaining farms and rural communities through an integrated action program of farmland **protection**, sustainable **production** systems, and effective **promotion** through marketing and education programs. Mountain Partners in Agriculture is also involved with community-based **policy** development that intersects the action program components. Established in 1995 through support from the W. K. Kellogg Foundation, Mountain Partners in Agriculture continues its rural sustainability program with funding from the Sustainable Development Challenge Grants Program of the US Environmental Protection Agency, the North Carolina Rural Center, the Henry A. Wallace Institute, and Asheville-Buncombe Technical Community College. The funding and support from these organizations, (which totals over \$200,000) and the partnership with the Mountain Valleys Resource Conservation and Development Council, will facilitate the Appalachian Sustainable Agriculture Project - ASAP during the next two years.

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# LAND LOSS

## PREVENTION

# PROJECT

April 11, 2000

Stephon Bowens, Esq.,  
EXECUTIVE DIRECTOR

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The Commission on Small Family Farm Preservation  
The Honorable Representative W. Frank Mitchell, Co-Chair  
The Honorable Senator Charles A. Albertson, Co-Chair  
Room 415, Legislative Office Building  
Raleigh, North Carolina 27601

**Re: Recommendations to Improve the Plight of Small Family  
Farms In North Carolina**  
**From: Attorney Stephon J. Bowens, Executive Director**

Dear Representative Mitchell and Senator Albertson:

Thank you for the opportunity to speak to the Commission on behalf of the thousands of small family farmers the Land Loss Prevention Project (LLPP) serves. Providing free legal assistance to limited resource, small, and minority farmers and landowners is the primary mission of our organization. Thus, engaging in the dialogue regarding how the State can improve the plight of its family farmers is well within our purview.

In order to begin a dialogue about small farmers, one must first define who is a small farmer. The United States Department of Agriculture through its National Commission on Small Farms defined a small farm in the 1998 Report "A Time To Act" as a **farm with less than \$250,000 in gross receipts annually on which day-to-day labor and management are provided by the farmer and/or farm family that owns the production or owns, or leases, the productive assets.** (Id at 20). The National Commission went on to note that the average farm with an annual income between \$50,000 and \$250,000 in annual gross receipts had a net cash income of only \$23,159, translating to an almost 80% utilization of gross income for the payment of expenses. The report disclosed that 94% of all U.S. farms fit the above-referenced description.

According to the 1997 United States Department of Agriculture (USDA) Census of Agriculture for North Carolina, the number of land in farms increased by 2% between 1992 from 8.9 million acres to 9.1 million acres in 1997. The 1997 Agricultural Census also reports that the average number of acres on a North Carolina farm is 182. The average small farmer represented by LLPP typically has less than 75 acres of land.

A member of:





## RECOMMENDATIONS TO THE COMMISSION ON SMALL FAMILY FARM PRESERVATION

1. The State should establish a trust fund for the assistance of small family farmers threatened with extinction through foreclosure and bankruptcy proceedings. This trust fund should be a one-time allocation of a low interest loan or grant not to exceed \$50,000. The farmer receiving this assistance must have applied and failed to qualify for debt servicing options currently offered by USDA.
2. The North Carolina Department of Agriculture (NCDA) should review the findings of the USDA Civil Right Action Team Report (CRAT) and the USDA Civil Rights Implementation Team Report (CRIT) and implement appropriate policies to ensure that civil rights for all farmers are provided equitably in North Carolina. NCDA should issue an annual report to the General Assembly's Joint Agriculture Committee regarding its findings and compliance therewith. This is necessary because the two lead plaintiffs in the federal class action lawsuits claiming discrimination against Black farmers by USDA officials originated in North Carolina.
3. This Commission should request that the General Assembly compare the recommendations of this Commission to those of the Office of Budget and Management that studied all forms of farm loans and grants provided to farmers in North Carolina. The Office of Budget and Management Report is due by May 1, 2000 and is authorized pursuant to House Bill 168, Session Law 1999-237, Section 13.1.
4. This Commission should develop policies which ensure that policies advanced by the State to encourage conservation provide a mechanism to for small farmers with limited acreage to participate in conservation programs. It is often easier to encourage environmentally friendly practices on large tracts of land rather than exploring ideas which may encourage farmers with limited acreage to continue to be good environmental stewards.
5. This Commission should emphasize the importance of continued education, research, and outreach meaningful to small family farms by 1862, 1890, and 1994 Land Grant institutions of higher learning despite the increased pressures on the universities to study programs that concentrate on large scale production techniques.
6. The Commission should identify and recommend that the State continue and/or begin to support outreach efforts of Community Based Organizations (CBO). It should also encourage mechanisms by which CBO's and the State's Land Grant Universities work together to provide technical assistance to small farmers.
7. The Commission should identify and encourage through financial support initiatives which foster e-commerce by small farmers. LLPP has been providing legal and technical support to North Carolina farmers through a grant from the U.S. Department of Commerce called the Supermarket Project for almost a year.
8. The Commission should recommend regulations that would preclude vertical integrators from unfairly shifting the risk of loss to small family farmers who enter into contracts of "adhesion" in a last ditch effort to save their family farms.

9. The Commission should recommend the provision of education and economic incentives for youth and minorities to engage in farming. The creation of small farmer scholarships and a State sponsored beginning farmer incentive program are integral to the continuation of family farms. The Commission should emphasize the fact that the average age of most farmers is approximately 65 years old. Therefore, the State has a duty to encourage a stable supply of new family farmers to ensure our food safety and security for generations to come.
10. The Commission should review the propriety of a State level crop insurance program that would protect North Carolina farmers from losses not traditionally covered by major crop insurance programs. According to the farmers LLPP assists there are a number of truck crops that are currently uncovered despite the fact that small farmers plant them heavily.
11. The Commission should recommend additional State regulations which provide for just and humane treatment and working conditions for all people engaged in the production of agriculture. Farmworker safety standards should not hinge on one's national origin and/or race, safety is a universal concern. Better reporting of agricultural accidents will produce opportunities to learn from past mistakes and promote safety initiatives that will make workers more productive.
12. The Commission should strengthen efforts to assist small farmers with value-added processes to increase the small farmers profitability. The development of co-operatives and central packing and distribution centers are integral to this effort.
13. The Commission should encourage alternative forms of agriculture. Recognition of organic farming for nitch markets as one method of transition from dependence on tobacco and other traditional cash crops will become increasingly important as small family farmers continue to experience significant reductions in quota.
14. The Commission should recommend that the General Assembly cross collaborate on issues related to small farms through the Commission and the Commission on Smart Growth. Issues and legislation coming out of the Smart Growth Commission should complement efforts of the Small Family Farm Preservation Commission.
15. Remember that for every family farmer that goes out of business, seven small rural businesses close their doors. Remind the residents of North Carolina that farming is a business and the bedrock of this State's prosperity.

## Small Farmer Center

### Farmer Program Evaluators Outreach

The Small Farm Center is a resource organization that provides services throughout North Carolina. It directly responds to the primary needs of farmers and secondary to researchers, organizations, farm advisors, and consumers by providing research results, publications, and educational programs, business development and management, promotions, legal, information relative to small farm topics.

### The Small Farm Center:

- Serves as a clearinghouse for questions from farmers, marketers, farm advisors, trade associations, government agencies, and the academic community.
- Maintains a library of books, scientific and popular journals, reports, directories, and periodicals covering production and marketing.
- Publishes manuals, proceedings, booklets, leaflets and a bio-monthly newsletter, Small Farm News, that reports on upcoming events, new publications, practical information on topical issues, and profiles of farmers and farm advisors.
- Organizes and coordinates statewide conferences, workshops, tastings and symposiums, and supports advisors, farmers' markets, and farm organizations in regional and local programs.
- Business and organizational structure for co-ops and the independent family farm.
- Legal and entity information relative to farmland preservation contractual agreement.

The Center provides leadership for the statewide Small Farm Program and offers special services for Cooperative Extension farm advisors to support the development of research and educational small farm programs.

The Small Farm Center's primary mission is to help small farmers compete and survive by offering practical, positive solutions. We envision agriculture in which small and family farms remain a dynamic, viable component of the communities in which they operate. Keeping this vision in mind, the important functions of the Center are to:

- provide programmatic leadership within Cooperative Extension and the Division of Agriculture and Natural Resources
- provide an opportunity for small farmers to interact
- provide information/services not readily available elsewhere
- build alliances with groups within and outside of the University
- serve those not being served by others
- facilitate linkages between urban and rural communities and agriculture

Small Farmer

Research/~~Education~~

Outreach (aggressive)

Production 20%

Agribusiness 80%

Processing (research, infrastructure)

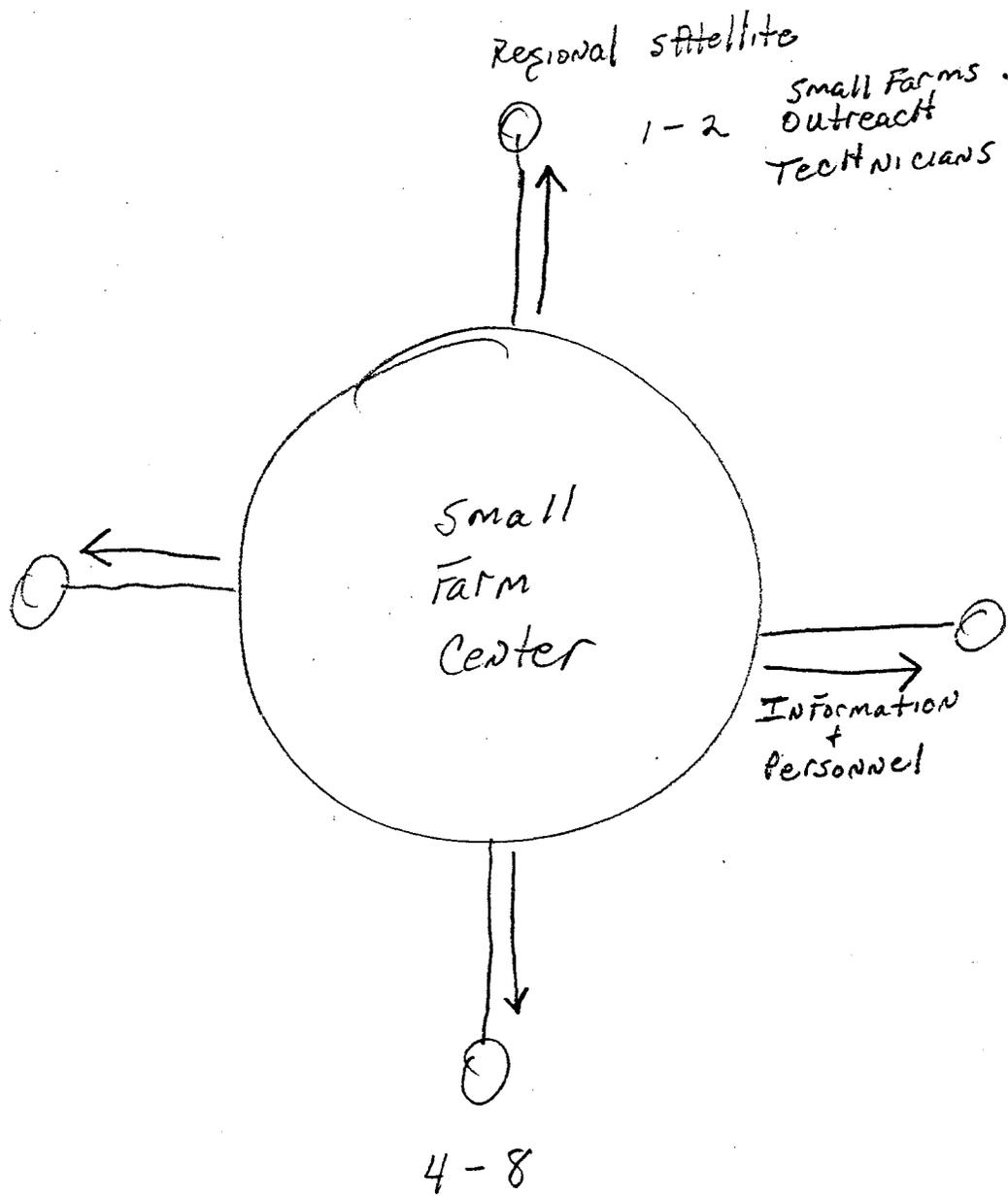
Marketing (Education, Promotion)

Consumer ( Public Education)

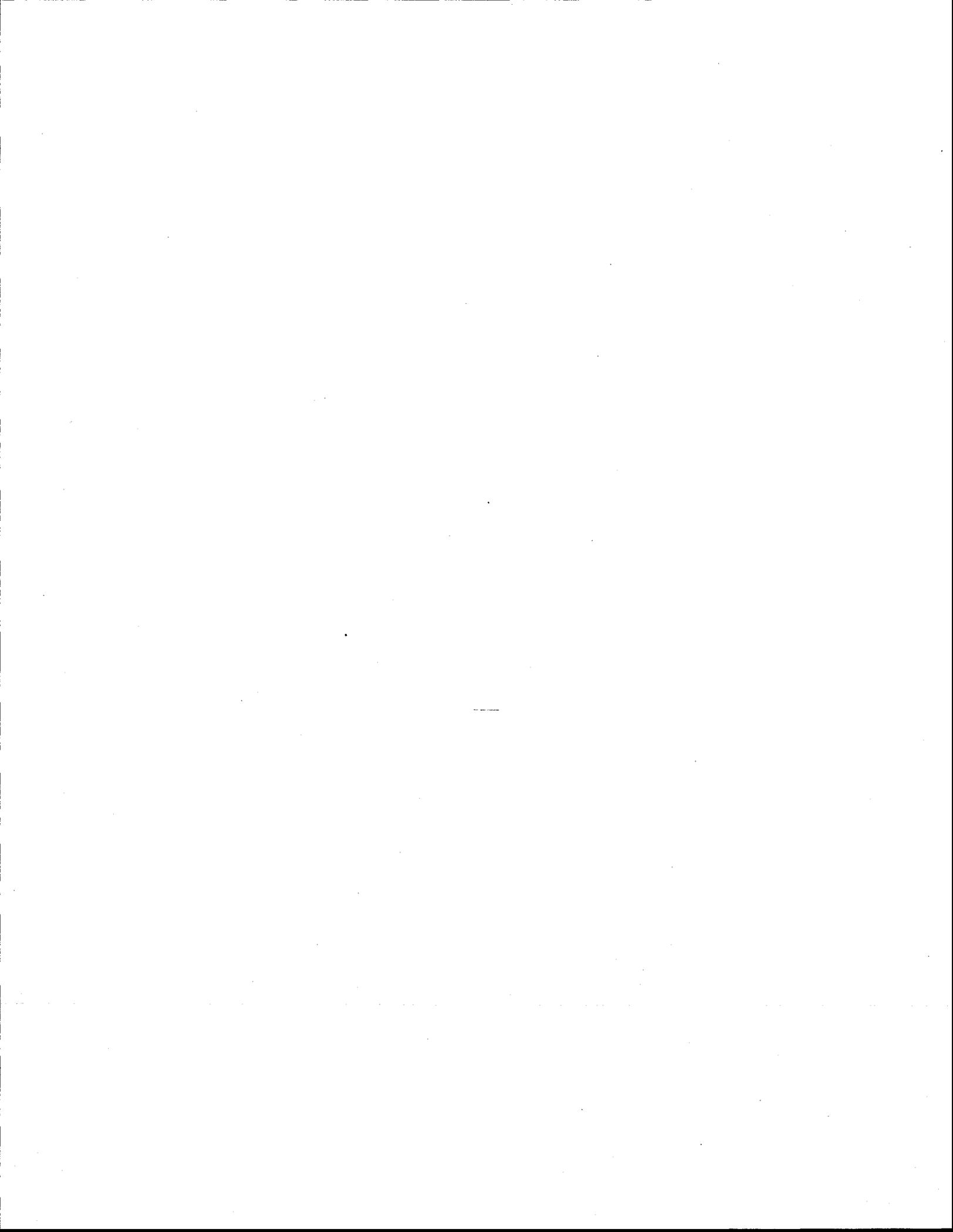
Information & Technology Transfer  
(aggressive outreach)

- Extension
- Federal programs
- Forestry
- Rural Development
- Legal
- Farm Preservation
- Conservation
- Risk Management

Rural Leadership Development  
(strategic planning)



- 2501
- I. Outreach Technician (ambassador and assessor)
  - II. Outreach specialist (group or one-on-one)



## SMALL FARM DEVELOPMENT AND SUSTAINABILITY CENTER

A Small Farm Development and Sustainability Center would provide a critical mass of leadership, experts and network linkages to provide the information, outreach, partnerships, and funding base for an effective, impact-oriented small farm program. A well-conceived and implemented plan would enable small and moderate sized farms to function as viable operations internally and to contribute significantly to the agricultural base. In addition, the center would benefit families and communities by helping preserve a significant part of our state's rural and agrarian heritage, would help balance the allocation and use of land resources among rural and urban needs, and help those remaining in agriculture make an acceptable living as agriculturists.

The following programmatic framework serves as a basis for developing the center program and administrative structure. This programmatic structure would allow diverse and significant funding partnerships to support the research, development, and educational functions of the center. In addition, the framework would provide for linkages with important existing functional groups within the university community and among the other advocates of the viability of small farms. For example, the NCSU Specialty Crops Program (SCP) could be a programmatic unit supplying exploratory, cultural and marketing information to support the center. Or, in the current economic and political environment, a Small Farm Development and Sustainability Center might be the "ticket" to secure potential funding for the Center for Environmental Farming Systems (CEFS), because the Small Farm Development and Sustainability Center is focused on supporting users--enabling, informing, empowering, and supporting them; CEFS has not been marketed heavily in that light.

The following programmatic model would rely on a center director or administrator and staff (secretarial, budget and information systems staff) and dedicated program coordinators (could be new positions or dedicated time for existing faculty) to lead issues teams which comprise the center's program. The following program issues or focus areas are consistent with a center that would support the diverse needs of developing, supporting and leading a major effort to help keep small farms viable:

### MARKETING STRUCTURE AND DEVELOPMENT

- Identifying unmet needs in the marketplace for food products, recreation, education
- Market research--goods and services needed; distinguishing characteristics, quality and tastes
- Developing nontraditional marketing strategies and venues

Developing viable local markets and outlets

Cooperative development for purchasing and marketing and value-adding processes

Developing diversity of goods and services as a marketing strategy-on farm and in community

Coordinated production, processing and marketing to meet demands

Market segmentation-moderate market share demands high value products

#### SYSTEMS RESEARCH AND DEVELOPMENT

Identify and develop products and services for unmet needs in the marketplace

Develop cultural, production, processing methods and systems

Understand relationships between eating quality and nutritional value of local products

Develop and evaluate scale appropriate equipment and cultural and processing methods

Examine and provide templates for nontraditional income sources-agritourism, ecotourism, educational experiences for students, internships

Produce enterprise and wholefarm financial planning templates

Examine incentives to support the viability of small farms, intergenerational transfer and entering new farmers

#### LABOR ISSUES

Developing models for local community internships and learning experiences

Labor acquisition and management per regulations

Equipment and mechanization suitable for small farms

Worker health and safety issues

Optimizing labor inputs and management

Partnerships with other educational institutions (high schools, community colleges, etc.)

#### OUTREACH AND EDUCATION

To growers (technical support and education) and consumers

To funding and supporting stakeholders (local government officials, interest groups, etc.)

Internships and training

Information clearing house

Computer and other technology training and development

Web pages, manuals and other educational materials

Conferences, field days, demonstrations, etc.

#### BUSINESS/COOPERATIVE/COMMUNITY ECONOMIC DEVELOPMENT

Developing and implementing local markets-community farmers markets, roadsides, etc.

Marketing networking for volume selling, production  
scheduling, quality-based alliances  
Purchasing cooperatives or alliances  
Policy development and education that impacts small farms  
Farm system financing and business planning  
Personal and family financing and business planning

#### PROCESSING AND VALUE-ADDING STRATEGIES

Post-harvest management  
Adding value through further processing  
Adding value through diversifying product line  
Policy and regulations

#### Underlying assumptions:

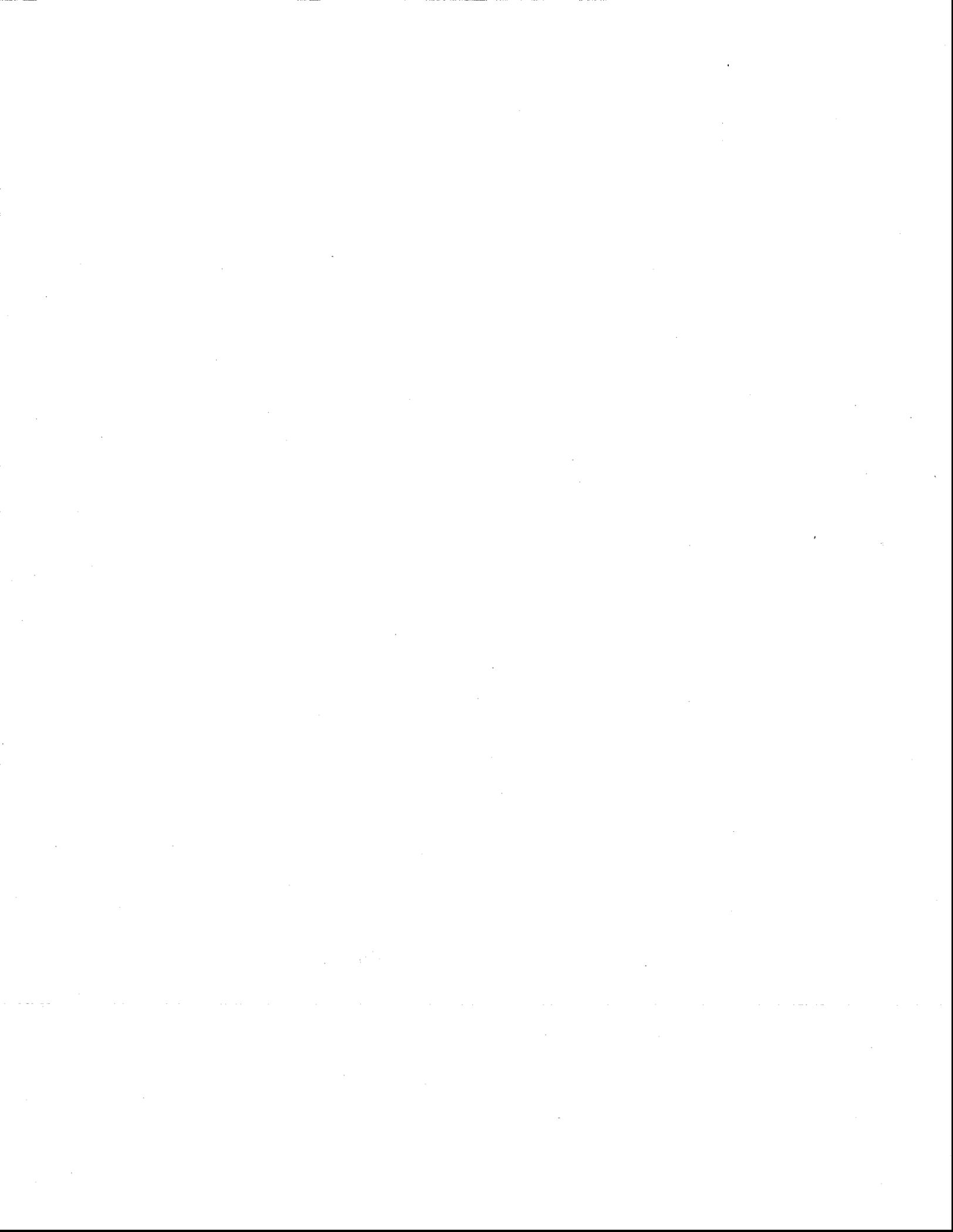
Center should be well connected to its audiences  
Focus areas should regularly and effectively connect to each  
other and "the whole"  
This is a major initiative; must not be mandated and not  
funded; we can't do it  
Needs to connect to existing related programs-CEFS, SCP,  
SFC, A&T

#### STAFFING: (Report to Research and Extension Directors)

Center Director or Administrator (1FTE)  
Secretary-financial assistant (1FTE)  
Information and communications specialist (1FTE)  
Marketing Structure and Development Coordinator (.5FTE)  
Systems Research and Development Coordinator (.5 FTE)  
Labor Issues Coordinator (.5 FTE)  
Outreach and Education Coordinator (.5 FTE)  
Business/Cooperative/Community Economic Development Coordinator  
(.5 FTE)  
Processing and value-adding Strategies Coordinator (.5 FTE)

#### POSSIBLE LOCATION:

CEFS at Goldsboro: Locating the Small Farm Development and  
Sustainability Center at CEFS would capitalize on the  
existing partnership between NCDA&CS, NCSU and NCA&TSU.



## SMALL FARM DEVELOPMENT AND SUSTAINABILITY WORK GROUP

- \* NCSU--Facilitation, production, processing, research, education
- \* NCDA&CS--Marketing, regulatory issues, ag policy
- \* Carolina Farm Stewardship Assn.--Organic production systems, networking, outreach
  - N. C. Farm Bureau-Ag policy, marketing, county networks
  - Carolina Organic Growers--Organic marketing and promotion
- \* Specialty Crops Program--Development, production and marketing of specialty crops
  - NC Cooperative Council--Cooperative development and operation
- \* USDA Rural Development--Cooperative development granting program
- \* Farmers Markets--Commercial, community and roadside markets
- \* Aquaculture systems--Production and marketing of aquatic species, products
- \* Small ruminant systems--Production and marketing meat and meat products
  - Rural Advancement Found. Int'l--Networking, community based education, ag policy
  - NC Farmland Preservation Program--Policy, incentives and programs for farmland preservation
  - NC State Grange -- Ag policy, marketing, county networks
- \* NC Rural Economic Development Center--Community and rural economic and infrastructure development and training
- \* Community College agricultural programs--representative from existing ag programs
  - Operation Spring Plant--Private farm, market networking, institutional marketing
  - Meat processor--Slaughter and processing of meat animals and products
  - Fruit-vegetable processor--Processing and distribution of specialty products
- \* North Carolina A&T State University--Research/education for minority and limited resource farmers
- \* New River Heritage Foundation--Comm. economic development and preservation, networking
  - Community Supported Agriculture--Non-traditional marketing strategies
  - Innovative marketing strategies--Example: IBM or SAS Farmers Market
- \* Institutional buying groups--Local institutional purchasing of goods and services
- \* Wellspring Grocery--Retailing high value food products
- \* City/County planners, econ. developers--Community development and economic planning

**Agri-and eco-tourism**--Income from showcasing agricultural and ecological farms

**Home-based ag businesses**--Farm supplemental income opportunities

**Consumer groups**--Needs, market, and demographic principles

\* **Other farmers**--traditional and non-traditional production and marketing

\* Priority planning group partners

# Small Farm Development Center

North Carolina A&T State University  
School of Agriculture



## *The Context*

The trend in American agriculture towards large, commercial farms and these farms' domination of commodity prices are having a devastating effect on small-scale agriculture — traditional family farms — in the United States. The diminished viability of small-scale agriculture is, in turn, bringing economic turmoil to rural communities, as declining small-farm profits and land values have led to higher taxes and reduced services.

North Carolina's farm population remains demographically substantial, and of the nearly 60,000 farms in this state, 40,000 are classified as small-scale farms. The small-farm crisis is especially keen in North Carolina not only because of pure numbers, but also because of the traditional importance of tobacco, and the large number of African-American owned farms in the state. The rapidly declining viability of tobacco production has taken a key pillar from small-scale agriculture in North Carolina, and because of discriminatory lending policies, minority-owned small-scale farms are vanishing at an even more alarming rate than other small farms. The reliance on tobacco and predominance of minority-owned farms which have for so long added to the importance of small-scale agriculture in North Carolina now exacerbate the state's stake in the small-farm crisis.

The United States Department of Agriculture inaugurated the "Center of Excellence" concept in 1992. Several Centers of Excellence, operating from the campuses of Historically Black Land-Grant Institutions in the Southeast, have since become model success stories for organizing and coordinating a central hub through which to focus the resources of several agencies on an issue of pressing concern. In addition to assisting small-scale agriculture in North Carolina by offering farmers and farm-

support agencies one-stop-shopping for cutting-edge research and timely information, a **Small Farm Center** at North Carolina A&T would also serve as an important complement to the School of Agriculture's graduate and undergraduate programs, and help A&T expand its capacity to supply much needed human capital for the food and fiber industries.

## *The Goals and Objectives*

All scientific research and educational outreaches at the proposed **Small Farm Center** will be part of one of four initiatives:

- Small-Scale Agricultural Research
- Agricultural Trade and Marketing
- Information Technology and Technology Transfer
- Agricultural and Rural Policy

In each of these four areas, the Center will enhance learning opportunities — for the general public as well as professionals — through research projects and extension demonstrations, and it will serve as an incubator for multidisciplinary research.

### Small-Scale Agricultural Research Initiative

- Development of collaborative research projects and educational outreaches among scientists and educators from North Carolina State University, the North Carolina Department of Agriculture and Consumer Services, and North Carolina A&T
- Training for professionals in sustainable agriculture, integrated pest management, integrated nutrient management, integrated natural resource management, and integrated farm enterprise management
- Research and development of specialty crops and alternative enterprises which offer competitive advantages to small-scale producers

## ***Existing Resources***

### Agricultural Trade and Marketing Initiative

- Foster increased awareness of local and global marketing opportunities, and assist small- and medium-size producers in gaining access to these markets
- Training for professionals, with Cooperative Extension and other farm support agencies, in integrated farm enterprise management
- A database of trade and business opportunities for small-scale farms
- Effective business management tools and training, which will allow small-scale farm operators to track and control their financial and material resources
- Assistance for producers in organizing cooperatives and expanding production capacity, and with enterprise selection and marketing

### Information Technology and Technology Transfer Initiative

- A high-speed, digital network connecting departments and faculty within the A&T School of Agriculture to other outreach organizations
- Faculty training for optimal use of networks in the delivery of educational programs and technical assistance
- Annual training for small-scale farmers through the Adopt-A-Computer Project
- Dissemination of information to small-scale producers concerning technologies with potential for immediate impact on the profitability of their farms

### Agricultural and Rural Policy Initiative

- Heightened public awareness of the impact of legislation and public policy on the economics of small-scale agriculture
- Educational outreaches to African-American farmers whose land ownership is in jeopardy
- Economic development analysis for rural communities
- Community-based micro enterprise development programs

### The University Farm

North Carolina A&T's 467-acre University Farm is located conveniently close to the A&T campus, and the farm is closer still to two major interstates (I-85 and I-40). The farm's proximity to the interstates, along with its central location, make it an ideal location for serving the North Carolina agricultural sector with research demonstrations and educational programs. Greensboro's extensive hospitality industry make the city a well-suited resource for hosting workshops which might entail an overnight stay for some participants.

For purposes of scientific research, the University Farm is invaluablely representative of the topographic, climatic and soil conditions facing small-scale farmers in North Carolina. Forested acreage on the University Farm is ideally suited for research into, and educational demonstrations related to agroforestry, urban forestry and landscape architecture. Pasture land is available for experiments with forages and livestock grazing.

A long-standing working relationship with the nearby Triad Farmer's Market offers an exceptionally strong base for research into agricultural economics and marketing, and the Triad Farmer's Market also opens the door for workshops and educational programs of unrivaled timeliness and practicality.

Although the A&T State University Farm has been used primarily for research projects, it has facilities which hold tremendous potential for instructional purposes in addition to the applied and basic research for which they were originally intended. This resource base includes:

- Administrative Offices and Storage Facilities
- Constructed Wetlands
- Beef and Sheep Research Unit (complete with a surgical suite)
- Dairy Unit
- Environmental Sciences Lab (complete with greenhouses)
- Poultry Unit (complete with processing facilities)
- A "farrow-to-feeder" Swine Research Unit (complete with surgical facilities, outdoor farrowing huts, and waste lagoons)
- Tillage and Runoff Plots (equipped to measure erosion and chemical movement through soils)
- Weather Station

## Agricultural Research Program

Among the current research efforts which reflect the overall and ongoing objectives at the University Farm are studies into:

- The impact of agricultural production on water quality
- Tissue culture biotechnology, as applied to the development of varieties of alfalfa which will have a greater tolerance to aluminum-rich soils
- The effects of poultry and green manures on soybeans, corn and other vegetable crops
- Swine breeding, and studies in bovine and ovine reproductive physiology
- Soil erosion and nitrogen transformation

## Cooperative Extension Program

The North Carolina A&T Cooperative Extension provides research-based information and educational programs to communities, families and individuals. To accomplish its objectives, Cooperative Extension utilizes a vast array of delivery methods — ranging from time-tested on-farm demonstrations and one-on-one instruction, to such cutting-edge information delivery methods as videoconferencing and online computer-assisted training. North Carolina A&T Cooperative Extension has a Congressional mandate to focus its educational programs and outreaches on individuals and families without the financial resources and educational backgrounds mainstream America enjoys.

North Carolina A&T Extension's programs have gained regional, national and international recognition for their success in addressing the needs of individuals, families and communities with limited resources. Among the A&T Extension Program's landmark efforts to assist small-scale farmers are:

- Down-to-Earth — using the scientific method to unlock young minds and help them understand sustainable agricultural production
- The Farm Opportunities Program — delivering one-on-one, hands-on instruction in efforts to help small-scale and limited-resource farmers
- Small Farmer Outreach Training and Technical Assistance Project — basic business management training for farmers with overextended credit and cash-flow problems
- Ways To Grow — helping small-scale farmers explore alternatives to traditional crops and livestock enterprises

Two other programs coordinated by the North Carolina A&T Cooperative Extension Program have received numerous awards for their innovative approaches to rural leadership development and community economic development:

- Community Voices — building communities by developing untapped leadership potential.
- Voices Reaching Visions — fostering regional and local economic development.

## *The Plan*

For the **Small Farm Center** to function as a place where researchers, educators, and agribusiness professionals can exchange ideas, and investigate breaking agricultural technologies it must have enough space to support research, and extension and community activities. Proposed facilities improvements include:

- Multipurpose rooms capable of accommodating large gatherings for workshops, educational programs, and new product expositions
- A telecommunications system fully equipped to tap into the broad array of educational programming and information sources which are now available
- A greenhouse specifically equipped for the propagation of woody ornamentals
- A farm land directory and data base, to help newcomers to small-scale agriculture locate reasonably priced farm land, and to help retiring farmers pass along their farms to individuals interested in keeping the land in production
- A greenhouse capable of accommodating emerging technologies in horticultural crops production, such as hydroponic production and aquaculture

New and expanded educational outreaches will include:

- Farmers Adopting Computer Training (FACT) — a program which will rely on "pass it along" training to help small-scale farmers acquire home computers inexpensively, and basic knowledge of spreadsheet, record keeping and other business management software
- The Beginning Farmers Mentoring Program — a program which will link individuals just getting into agriculture with established farmers willing to serve as mentors

## Staffing and Administration

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The **Small Farm Center** will be staffed by a mix of faculty already employed by the School of Agriculture, and new faculty in: forestry, environmental toxicity, horticulture, plant pathology, entomology, farming systems and sustainable agriculture. The Center will be ideally suited to interdisciplinary research into the development of sustainable agricultural systems, improved natural resource management, and business management methods for increasing earnings of North Carolina's small-scale farmers. Multidisciplinary staffing will give the **Small Farm Center** the human resources to serve the North Carolina small-farm sector through innovative research into alternative enterprises and educational programs that will result in improved economic conditions both locally and statewide.

The operational and fiscal policies affecting the **Small Farm Center** would be parallel to those governing the Experiment Station of the North Carolina Agricultural Research Service and North Carolina Cooperative Extension Service. Collaborative activities will at times include the North Carolina Department of Agriculture and Consumer Sciences, the North Carolina Farm Bureau, the North Carolina State Grange, the Forest Service, the Natural Resources Conservation Service, the Cooperative State Research, Education and Extension Service, and other USDA agencies.

An executive committee consisting of the dean and associate deans of the School of Agriculture, the **Small Farms Center** Director and two representatives from among Departments will establish policies for the daily operations of the Center. An Advisory Committee, with membership from government and nongovernmental organizations, will be established to develop long-range plans for the Center.

### Benefits

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- New research into alternative enterprises and niche markets
- Stability for the current small farms in North Carolina, and an increase in the number of small farms

- Diversified income among North Carolina's small farms
- Increased environmentally sustainable production practices on small farms
- Growth in public awareness of laws and regulations affecting the economics and environmental viability of small-scale agriculture
- Diminished land loss among African-American farmers, and an increased number of minority owned farms
- Growth in the number of small, community-based businesses
- Greater access to local and global markets for small-scale farmers
- New models of decision-making and management skills to help producers effectively manage risks
- More farm cooperatives
- Increased networking and interaction among land-grant researchers, Extension specialists, community groups, and federal, state and local farm support agencies
- Greater public access to research and Extension information
- Greater utilization of distance learning technologies
- Greater efficiency in program design and implementation

## Budget

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### Personnel Costs:

<i>Professional (4 FTEs)</i> .....	\$240,000
<i>Technical (4 FTEs)</i> .....	\$120,000

### Capital Improvements:

<i>Buildings</i> .....	\$1,400,000
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### Operating Costs:

<i>Equipment</i> .....	\$275,000
<i>Supplies</i> .....	\$125,000
<i>Contractual Services</i> .....	\$50,000
<i>Program Development</i> .....	\$60,000
<i>Communications</i> .....	\$30,000

<b>Total</b> .....	<b>\$2,300,000</b>
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## **Farmland Preservation Fund** (A Proposal for Discussion)

Preservation of prime farmland is important to the people of our state. The economic condition of agriculture has made it difficult for families to retain the land on which they farm, while it is desirable to protect those lands for future generations. Our farm families are not enjoying the economic growth which those citizens outside of farming are enjoying. In fact, our farmers are in the depth of an economic depression. If we do not make provisions to protect and support farming, and protect open spaces, our state will suffer irreparable damage.

Farmlands that are converted to residential or commercial development are lost forever. Based on reports, our state is losing approximately 150,000 acres of farmland each year to development. Since 1985 we have seen over half of our farms lost. With the loss of farms, rural communities suffer the most. Farmers spend about 80 cents of every dollar they receive in their rural communities. Helping our farmers will keep our rural communities and economies healthy, which should be, and is, of vital importance to our state.

### THE PROPOSAL:

- When farmland is being developed, the developers should be required to pay a fee into a Farmland Preservation Fund, FPF.
- Developers would add the FPF fee to other development cost which would be passed along to the buyers of the developed property. With up to 150,000 acres of farm land being lost each year, a \$100 per acre development fee would generate up to \$15,000,000 per year for the FPF. Exemptions could be allowed where non-agricultural growth is needed.
- These (FPF funds would provide dedicated, non-tax generated funds for farmland preservation, which could be used as follows:
  - ❖ Purchase future development rights from farmers to insure that their land stays in agriculture. Farmers would be able to participate in helping preserve open spaces by selling their development rights for an adequate compensation. For farmers, land is often their retirement fund and the FPF could compensate them for the difference in Development Value verses Agricultural Value.
  - ❖ Making low interest loans available to farmers who sell their development rights and have a need for to borrow funds in the future against a lower asset base.
  - ❖ Provide low interest loans for those wishing to get into farming. Farms that have no development rights will be priced at farm values and reflective of the potential income value from agriculture.
  - ❖ Up to 50% of the funds developed in a county should be available in that county to supplement that county's own farm land preservation efforts.
- The state could develop a data base of farmlands where the development rights have been transferred. From that data base, persons interested in continuing the land in agriculture could make contact with owners and find the land more affordable, due to the transfer of development rights. Those lands would thus be kept in agriculture/open spaces which have great value in the quality of life and the farmer who sold the development rights would be assured that land would remain as dedicated.

In considering this proposal, this committee may wish to check with other states that have successful farmland preservation programs in place, to learn from them.